Ministry of Housing,
Communities &
Local Government

Annual Report and Accounts 2019-20

Timekeepers Square, Buttress Architects. Image courtesy of Housing Design

HC 929

Ministry of Housing, Communities and Local Government

Annual Report and Accounts 2019-20

(For the year ended 31 March 2020)

Accounts presented to the House of Commons pursuant to section 6(4) of the Government Resources and Accounts Act 2000

Annual Report presented to the House of Commons by Command of Her Majesty

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This is part of a series of Departmental publications which, along with the Main Estimates 2019-20 and the document Public Expenditure: Statistical Analyses 2018, present the Government's outturn for 2019-20 and planned expenditure for 2020-21.

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Foreword from the Secretary of State

I was delighted to be reappointed as Secretary of State for Housing, Communities and Local Government following December's General Election, to deliver many of the government's top priorities.

Looking back at 2019-20, it has clearly been an extraordinary time for the department, local government, and places across the country.

MHCLG has been at the heart of the government's response to COVID-19: as stewards of local government, in our efforts to bring rough sleepers off the streets, in shielding the most vulnerable in society and in ensuring local economies are supported and protected.

In the short time to April 2020, we had released an additional £1.6 billion of funding for local authorities to respond to the pandemic and supported Local Resilience Forums to deliver over 30 million items of emergency PPE. We had introduced emergency legislation to protect commercial and residential tenants by banning evictions and preventing the forfeiture of commercial leases, and relaxed planning rules so pubs and restaurants could operate as takeaways. We had also moved around 90% of rough sleepers into appropriate accommodation through our 'Everyone In' programme and supported local authorities to make over £1 billion in Small Business Grant payments.

Across the year, the department has also made significant progress towards delivering the programme for government. We have:

- Delivered on our promise to get Brexit done - working closely with sectors and local communities to prepare for our successful and smooth exit from the European Union.
- Announced a major package of building safety reforms and stepped in to speed up vital cladding replacement.
- Secured the largest year on year increase in core spending power for local government in a decade.
- Pressed ahead with our mission to deliver the homes the country needs - seeing over 240,000 new homes in England; the highest level for over 30 years.
- Seen a continued reduction in the number of people sleeping rough on a single night, down 411 people (9%) in Autumn 2019 compared to the previous year.
- Implemented the Tenant Fees Act in June 2019; introduced new prevention and relief duties under the Homelessness Reduction Act; and confirmed plans for a new legal duty for local authorities to deliver life-saving support to survivors of domestic abuse.
- Selected 100 towns to benefit from the £3.6 billion Stronger Towns Fund as part of the government's plan to level up our regions through investment in innovative regeneration plans.

Now, in the coming year, we must rise to the challenge of helping the country recover and rebuild from COVID-19. This only reinforces the importance of my department's agenda. That's why we will:

- Continue to support communities across the country to respond to COVID-19.
- Build better, safer, greener, and more affordable homes, including through reform of the planning system.
- Make a reality our mission to level up all parts of the country, continuing the work of my predecessors on devolution, launching the new UK Shared Prosperity Fund, and continuing to invest in places.

- Bring about the biggest change in building safety for a generation though the Building Safety Bill.
- Work towards ending rough sleeping, ensuring that as few people as possible return to the streets, and are able to rebuild their lives.

This is an ambitious agenda, but we are determined to achieve it. At this most challenging time for the country, the work of this department has rarely mattered so much. I'm grateful to everyone in the organisation for their hard work and commitment to this endeavour.

The Rt Hon Robert Jenrick MP
Secretary of State for Ministry of Housing, Communities and Local Government

Foreword from the Permanent Secretary

2019-20 has been a year of considerable change for the department. I would first like to pay tribute to Dame Melanie Dawes DCB, who departed in February after five years at the helm.

Under her watch, we made clear progress in delivering an ambitious programme for Government. We implemented our strategy to end rough sleeping; helped level up across the country through our investment; and saw another increase in the supply of new homes and home ownership. Building safety continued to be a top priority with remediation and reforms being driven forward at pace.

Even without COVID-19, 2019-20 was already set to be an important year, as the department welcomed a new government, Ministerial Team, and Executive Team; and prepared for the country's departure from the European Union. Then, since early 2020, we have been at the heart of the national and local response to the pandemic. That has included establishing a new public service (the shielding programme), standing up our resilience structures, and introducing a series of emergency measures to support people, places and sectors.

It has been a testament to the calibre of the department's people that we have rapidly adapted the work that we do, and how we do it, to deliver for the country. I am immensely proud of how agile my department has been in reprioritising our resources quickly and effectively to meet government priorities.

Throughout, I am pleased to report, we have remained a great place to work, and one of the Civil Service's top performers. In this year's People Survey our staff engagement score was 65%, and I am particularly proud that our staff have again rated us the most inclusive and fair government department. Our IT Modernisation Project has been a huge success, allowing us to improve our ways of working with new technology which has been crucial in adapting to increased working from home during the pandemic.

In the coming year we will take what we've learnt in this extraordinary period with us, as we navigate an economic and social landscape transformed by COVID-19. We will make better use of digital and data and develop even stronger links to the places that we represent, while keeping inclusivity at the heart of everything we do as we deliver the government's priorities.

Jeremy Pocklington CB
Permanent Secretary
Ministry of Housing, Communities and Local Government

Lead Non-Executive Director's Report

The department has delivered important policies and programmes this year amidst a radically shifting context. In July 2019, we saw the arrival of a new Prime Minister and welcomed a new Secretary of State. Then there were preparations for a general election in the autumn, the UK's departure from the EU on 31 December, a ministerial reshuffle and the transition to a new Permanent Secretary all of which have taken place over the past 12 months.

Most recently, the department has been at the forefront of the national and local response to COVID-19, working with local government, Local Resilience Forums (LRFs), business leaders and the housing sector.

Through all this, the non-executive directors have continued to bring their commercial, financial, private and public sector expertise to the Ministerial Board, supporting ministers and the department's senior leadership to ensure strategic clarity, deliver results and provide appropriate assessment and assurance of risks.

Board meetings and sub-committees

The Ministerial Board held formal meetings twice during the reporting year. The third and fourth meetings were cancelled due to wider events including the general election, and in-year changes to the Ministerial Board and Executive Team. The Non-Ministerial Board also met twice, in addition to frequent ad-hoc meetings between non-executives and members of the Executive Team to provide challenge and support on a range of topics.

The Ministerial Board helped to prepare the department for an anticipated Spending Review, which included helping to shape the cross-cutting outcomes for the department to support delivery of stronger and more prosperous communities and sustainable local government over the coming years. The Ministerial Board also focused its time on departmental finances, Homes England capacity and delivery, and preparations for Brexit.

The Non-Ministerial Board helped the department prepare for the general election and reviewed reporting on departmental performance.

We have recruited Susan Barratt as our second independent member of the Audit and Risk Assurance Committee to serve alongside Mark Sheridan. This forms part of the wider efforts being made by the committee to upgrade the department's risk governance and strategic approach to risk.

The Audit and Risk Assurance Committee met six times during 2019-20, receiving papers on the internal and external audit programmes; the department's strategic risks including building safety, preparations for Brexit and reviewing the Annual Report and Accounts.

Involvement of Non-Executive Directors

The non-executive directors have made an important contribution this year to both the governance of the department and in providing advice, support and challenge to individual programmes.

Although we said goodbye to Daniel Morley in September 2019, the continuity of the non-executive team has been particularly valuable given the shifting contexts in which the department has been operating.

Pam Chesters has led on Brexit planning and the Grenfell Tower Inquiry. Dame Mary Ney has provided strategic leadership as a member of the Senior Talent and Pay Committee and the Building Safety Portfolio Board.

The non-executives have also provided support and challenge to the department's COVID-19 response work. Dame Mary Ney has focused on the local emergency response. I have engaged in the department's input to economic and business recovery. As Chair of the Audit and Risk Assurance Committee, Pam Chesters has ensured the committee has pivoted to assess the changed risk landscape for the department and local authorities following the virus outbreak.

In the year ahead, I look forward to continuing to ensure the non-executives challenge and bring expertise to the department, whilst supporting ministers and assisting the Executive Team in their strategic thinking.

Michael Jary
Lead Non-Executive Director

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1. Performance Summary

Overview

The Annual Report is made up of the Performance Report, the Accountability Report and Financial Statements which together set out the progress we have made in 2019-20 to deliver our strategic objectives, how we have used the resources voted by Parliament and our detailed financial accounts.

This section provides a summary of our purpose, how we have performed against our objectives in 2019-20 and our key risks. It also highlights any impact on the delivery of objectives as a result of the department's response to the COVID-19 pandemic and of preparing for and delivering the UK's exit from the EU in the financial year.

Our role and purpose

The Ministry of Housing, Communities and Local Government (MHCLG) aims to help create great places to live and work right across the country and to back communities to come together and thrive.

We strive to ensure people throughout the country have access to affordable and high-quality housing, boost opportunities for jobs and growth in all parts of the country, build strong communities and support effective local government.

How we are organised

The Secretary of State heads the department's ministerial team, who are accountable to Parliament. They are supported by the Permanent Secretary who has executive responsibility for the department and safeguarding public funds as the Principal Accounting Officer. Our non-executive directors provide an important external perspective to the department but do not have decision-making or spending powers. For further details of our structure please go to the Governance Statement on page 39, which sets out the department's structures in more detail.

Our strategic objectives

The department has seven strategic objectives, which are set out in our Single Departmental Plan for 2019-20[1]

1. **Deliver the homes the country needs**

We are delivering a wide-ranging programme of activity to create, fund and drive a market which will deliver 300,000 homes a year sustainably by the mid-2020s.

2. **Make the vision of a place you call home a reality**

We are taking steps to help people now to find the right home. This includes helping the most vulnerable people in our society through preventing homelessness and rough sleeping; and improving people's access to, and experience of, the housing market.

3. **Support local government to deliver high quality services with sustainable finances**

We are progressing reforms to the local government finance system, ensuring that public services are stronger, and the allocation of funding is fairer. Giving local authorities more control over the money they raise and supporting the delivery of local services in the most sustainable and efficient way.

4. **Create strong communities, socially, economically and a sense of place**

We are integrating communities by levelling up the regions and building the vision for stronger communities. By investing in our local communities we are reviving high streets and boosting local economies.

5. **Secure effective support for those affected by the Grenfell Tower disaster, delivering the changes this tragedy demands and ensuring people are and feel safe within their homes**

GRENFELL

We are responding to the Grenfell Tower tragedy, including ensuring those directly affected have the support they need, now and in the years to come; and that high-rise residential buildings are safe and feel safe.

6. **Support a smooth exit from the European Union**

We are providing assurance and stability to our sectors to help them to prepare for EU Exit, including supporting the UK's transition from European growth programmes.

7. **Make MHCLG an even better place to work**

We will continue to be open, inclusive and collaborative. Ensuring that we provide our people with the right training to empower them, enabled by efficient processes and systems.

1 The high-level version of the department's Single Departmental Plan for 2019-20 is published at: https://www.gov.uk/government/publications/department-for-communities-and-local-government-single-departmental-plan/ministry-of-housing-communities-and-local-government-single-departmental-plan--2

A unique year

We successfully delivered significant policies and programmes throughout the year, reprioritising activities to enable an effective response to significant events including preparation for the UK's exit from the EU, the General Election, and the COVID-19 pandemic.

Supporting the national and local response to COVID-19 has been our top priority since March 2020. The outbreak has been a catalyst for progress on some priorities - for example on rough sleeping - but it has affected progress on others. It is still too early to assess the impact of COVID-19 on our ability to achieve our strategic objectives, but we do know that the housing market has been significantly affected by the outbreak, with construction paused on most sites during lockdown. We also know that COVID-19 has had an impact on local economies across the country, impacting different places in different ways.

In response to this, between March and June 2020, the government has committed over £27 billion so far to local areas, to ensure councils and communities have the resources they need. We have:

- Re-started the housing market through amended regulations and new guidance, so that people can move safely, as well as helping the sector get back to work safely, through flexible construction working hours, digital planning applications and support for smaller developers;
- Delivering support for renters, with a moratorium on evictions lasting five months;
- Brought 15,000 rough sleepers off the streets;
- Provided £1.6 billion of un-ringfenced funding to councils in March 2020 and a further £1.6 billion in April 2020, to support the delivery of essential public services;
- Eased immediate pressures on local authority cash flows by deferring £2.6 billion in business rates payments; paying £850 million in social care grants up-front;
- Provided a £500 million hardship fund for local government to provide vulnerable households with council tax relief;
- Developed a package of support for small businesses in partnership with the Department for Business, Energy & Industrial Strategy, with over £12.3 billion in business support grants available for distribution from councils. In addition, almost £9.7 billion of business rates relief have been passed on;
- Delivered an entirely new public service: the Shielding programme; seeing over three million food parcels delivered to the most vulnerable by June 2020;
- Published guidance on progressing remediation of high rise buildings with unsafe cladding during COVID-19, as well as pledging, alongside five mayors, our commitment to ensuring vital safety work can continue, where necessary social distancing rules are being followed;
- Having fed into Department of Health and Social Care led regulations following the Coronavirus Act (which came into force on 26 March 2020), issued guidance on closing certain businesses and venues in England, as well as publishing guidance on safer public spaces for urban centres and parks, community centres, civic centres and events.

Throughout, we have protected work on our core statutory functions, ensuring that councils can deliver essential local services, while keeping the most vulnerable people safe and taking forward our critical work on building safety. This has required the department to rapidly redeploy staff and to pause and / or rescope work.

Our highlights in 2019-20

Delivering the homes the country needs

- We saw an increase in the annual **housing supply** in England with 241,340 net additional dwellings in 2018-19 (figure 1), up 9% on 2017-18.
- Help to Buy: Equity Loan has helped over 270,000 households buy a new-build home from its launch in spring 2013 until end March 2020. All homes have been new-build, and 82% of sales have been to first-time buyers.
- We published the **National Design Code** in October 2019, setting out the characteristics of well-designed places and demonstrating what good design means in practice.

Making the vision of a place you call home a reality

- We saw a continued reduction in the number of people sleeping rough on a single night down 411 people (9%) in Autumn 2019 compared to the previous year.
- We implemented the Tenant Fees Act in June 2019, banning unfair fees and capping deposits. We announced a better deal for renters through the Renters Reform Bill and set out proposals to reform the leasehold market to make it fairer.
- We implemented the new prevention and relief duties under the Homelessness Reduction Act and saw 36,460 households secure accommodation between October and December 2019 and a 37% reduction in the number of families in Bed & Breakfast accommodation for longer than six weeks.

Supporting local government to deliver high quality services with sustainable finances

- We secured the largest year on year increase in core spending power for local governments in a decade (£49.2 billion), with the core **local government finance settlement** rising by 4.4%, in real terms.
- We supported local government in their **response to emergencies** over the year, including **flooding incidents**, activating access to funding, and providing expertise and liaison through our operations centre and Government Liaison Officers.
- We provided £3.2 billion from the Emergency Response Fund over March and April 2020 to **support the local government response to the COVID-19 pandemic**.

Our highlights in 2019-20

Creating strong communities, socially, economically and a sense of place

- We selected 100 towns for the £3.6 billion **Stronger Towns Fund** to develop Town Deals as part of the government's plan to level up our regions through investment in innovative regeneration plans.
- The £3.6 billion also included an additional £325 million for the Future High Streets Fund, taking the overall Future High Streets Fund to £1 billion.
- We supported local areas to work with over 399,960 families up to March 2020 with multiple and complex problems as part of the **Troubled Families programme**, with 350,105 families achieving successful outcomes.

Securing effective support for those affected by the Grenfell Tower disaster, delivering the changes this tragedy demands and ensuring people are safe and feel safe within their homes

- We published the government's response to the Grenfell Tower Inquiry's Phase 1 report in January 2020, setting out the steps we are taking to implement the report's recommendations.
- Across the Private and Social sectors, a total of 144 buildings had been remediated by the end of March 2020. A further 134 had started remediation and 129 had a plan in place.
- We launched a Private Sector Remediation Fund (£200 million) for remediation of private sector buildings with ACM cladding, with 94 buildings in scope. Following this, in March 2020, we announced a £1 billion Building Safety Fund to remediate high rise non-ACM residential buildings.

Supporting a smooth exit from the European Union

- We supported **councils and Local Resilience Forums in their readiness for Brexit,** providing funding, and ensured there were Lead Officers in every local authority with responsibility for overseeing and coordinating preparations.
- We ensured the necessary legislation was in place to support exit day - including three Special Development Orders to enable border customs infrastructure.
- We produced a Local Communications Toolkit to support the 'Get Ready' public information campaign.
- We stood up our local resilience structures in the run up to 31 October 2019 and 31 December 2019.

Our highlights in 2019-20

Make MHCLG an even better place to work

- MHCLG's staff engagement score, following the 2019 People Survey, saw MHCLG placed 8th across all Whitehall departments.
- The department was a high performer across five key themes; My Team, My Manager, Learning and Development, Inclusion and Fair Treatment and Leadership and Managing Change.

2. Performance Analysis

Overview

This section sets out the department's performance against the seven operational strategic objectives as set out in the Single Departmental Plan for 2019-20. The impact of the COVID-19 pandemic on delivery activity and outcome is also specified where applicable.

1. Deliver the homes the country needs

We continue to build more homes than ever before with a wide-ranging programme of activity to create, fund and drive the market to deliver 300,000 homes a year sustainably by the mid-2020s, working with our delivery arm, Homes England. We have continued to increase home ownership through our Help to Buy Equity Loan Scheme and funded programmes to deliver more homes. However, to achieve the government's ambitions we need to go further.

As set out in the Queen's Speech and at Budget 2020, plans were announced to introduce a Single Housing Infrastructure Fund (SHIF) to provide the roads, schools and GP surgeries needed to support new homes. The SHIF will bring together existing housing, land and infrastructure funding streams into a single, flexible, more powerful pot, to drive an increase in supply over the long term.

Alongside the forthcoming Spending Review, we will set out a detailed vision of what the country's housing and land markets should be like come 2030, as well as plans for how we will get there.

What we achieved in 2019-20:

Housing Supply

- Awarded a further £0.6 billion of the £4.5 billion **Home Building Fund** in 2019-20 to private sector businesses to build new homes or prepare sites for development. Brings the total committed funding to 62% of the overall Short Term Fund with, 93% of contracted transactions with SMEs borrowers; and 86% of the Long Term Fund, which should unlock circa 155,000 homes.

- Help to Buy: Equity Loan has helped over 270,000 households buy a new-build home from its launch in spring 2013 until end March 2020. All homes have been new-build, and 82% of sales have been to first-time buyers.

- In the Budget 2020, the Chancellor announced **£12.2 billion** of investment **to build more affordable homes**. This is the biggest cash investment in affordable housing for a decade.

- Announced **£30 million** Homes England investment in Ilke Homes, an energy-efficient home builder, in November 2019 **to promote modern methods of home building** in the 'Construction Corridor' **in the North of England** and boost factory output to **5,000 homes per year**. Appointed Mark Farmer as Modern Methods of Construction (MMC) Champion for Housebuilding.

- Announced **£6 million** in January 2020, to help **21 new locally-led garden towns and villages** progress plans to deliver up to 200,000 new homes.

- Launched **The New Development Corporation Competition**, a **£10 million** competitive fund supporting up to 10 local areas to develop proposals for innovative delivery models such as development corporations.
- Published the **National Design Code** in October 2019 as part of the planning practice guidance, which sets out the characteristics of well-designed places and demonstrates what good design means in practice.
- Implemented the revised **National Planning Policy Framework** and introduced new regulations on the **Community Infrastructure Levy.**
- Granted **358,000** planning applications (**88%** approval rate).
- Implemented further recommendations (16 out of 22 recommendations / 73%) from the **Rosewell Inquiry** into planning appeals. Reduced the average time from valid inquiry appeal received to decision to 22.6 weeks; less than half the time taken in previous years.

Infrastructure

- Completed the allocation of the £4.12 billion **Housing Infrastructure Fund** to successful local authorities, unlocking up to 340,000 homes by funding much needed infrastructure. 33 Forward Funding projects worth £3.4 billion are now progressing to unlock up to 235,000 homes, in addition to the previously awarded £717 million for 101 Marginal Viability Funding projects to unlock up to 108,000 homes.

Land

- Managed the ongoing delivery from the Land Assembly Fund, Land Release Fund, Small Sites Fund and Accelerated Construction, all awarded in previous years, which collectively will unlock land for the delivery of over 28,175 homes.
- Published a progress report in May 2019 and a data update in February 2020 on the Public Land for Housing Programme 2015-20, which aims to identify and release surplus central government land. As at June 2019, central government land (including MHCLG's) with capacity for c.48,000 homes had been disposed of through the programme.
- Approximately two-thirds of all local authorities had released land for 60,000 homes as at August 2019 towards the Local Authority Land Ambition and are forecasting the release of land for a further c.60,000 homes by the end of March 2020 (data to be collected in 2020-21), towards the 160,000 homes target.

Figure 1

Our performance: Net additional dwellings per annum

Annual housing supply in England amounted to 241,340 net additional dwellings in 2018-19, up 8.6% on 2017-18. This resulted from 213,860 new build homes, 29,260 gains from change of use between non-domestic and residential, 5,220 from conversions between houses and flats and 940 other gains (caravans, house boats etc.), offset by 7,940 demolitions.

Year	Net additional dwellings
2018-19	241,340
2017-18	222,190
2016-17	217,350
2015-16	189,650

Source: Housing Supply: Net Additional Dwellings[2]; release schedule: annually in November

2 https://www.gov.uk/government/statistical-data-sets/live-tables-on-net-supply-of-housing

Figure 2

Our performance: Gross supply of affordable housing completions

There were 57,485 affordable homes delivered in England in 2018-19, an increase of 22% compared to 2017-18. Since 2013-14, affordable rent has become the most common tenure type for affordable homes delivery. In 2018-19, there were 29,135 new affordable rent homes, representing 51% of all new affordable homes.

Year	Gross supply of affordable housing completions
2018-19	57,485
2017-18	47,124
2016-17	42,198
2015-16	32,614

Source: Affordable housing supply data[3]; release schedule: annually in November

2. Make the vision of a place you call home a reality

We continue to make progress with helping the most vulnerable and making access to the housing market fairer. We have set out proposals for the reform of the leasehold housing market, ending unfair practices in the sector. We are introducing a better deal for renters, through the Renters Reform Bill including abolishing no fault evictions and introducing a new lifetime deposit to make moving easier. We have seen good progress in tackling homelessness and rough sleeping and will be providing further support to local authorities through additional funding over the coming year.

What we achieved in 2019-20:

Helping vulnerable people

- A continued reduction in the number of people sleeping rough on a single night **down 411 people (9%)** in Autumn 2019 compared to the previous year (figure 3), with a 32% reduction in areas receiving the Rough Sleeping Initiative funding.
- **36,460** households secured accommodation in October to December 2019 through the new prevention or relief duties under the Homelessness Reduction Act and there was a **37%** reduction in the number of families in Bed & Breakfast accommodation for longer than 6 weeks.

Figure 3

Our performance: Rough sleeping count for England

The total number of people counted or estimated to be sleeping rough on a single night was 4,266. This was down by 411 people or 9% from the 2018 total of 4,677. This is a single night snapshot and is taken annually in England using street counts, evidence-based estimates, and estimates informed by spotlight street counts.

Year	Number of rough sleepers	% change from previous year
2019	4,266	-9
2018	4,677	-2
2017	4,751	15
2016	4,134	-

Source: Rough Sleeping Statistics, Autumn 2019, England release schedule: annually in February

3 https://www.gov.uk/government/statistics/affordable-housing-supply-in-england-2018-to-2019

- Confirmed plans to introduce a new legal duty for local authorities to deliver life-saving support to survivors of domestic abuse in safe accommodation, through the landmark Domestic Abuse Bill.
- Ahead of the new duty coming into force, announced £16.6 million funding in February 2020 to support 75 local authority-led domestic abuse safe accommodation projects to help up to 43,000 survivors have access to the help they need as they move towards a safe future, free from domestic abuse.

Fairer Housing Market

- Published our response to our consultation on **implementing reforms to the leasehold market**, setting out proposals for **all new houses to be sold on a freehold basis** and restrict **ground rents to zero** in future leases, including any necessary exemptions. The **Law Commission** is working on a series of projects for leasehold reform and **published its first report** on enfranchisement valuation in January 2020 for government to consider.
- Committed to introducing a cap in **maximum fees** and **deadlines** for **providing leasehold information** to prospective buyers.
- Set out detailed proposals to give **freehold homeowners** on managed estates the **right to challenge charges** which they consider unreasonable at the Tribunal.
- Announced the introduction of a better deal for renters through the **Renters Reform Bill**, aiming to abolish the use of 'no fault' evictions; strengthen the repossession rights of landlords; and introduce a new lifetime deposit to ease the burden when tenants choose to move.
- Introduced a mandatory **5-yearly safety checks** of electrical installations for rented properties and made membership of a **Client Money Protection** scheme mandatory for letting agents from April 2019.
- Awarded, in January 2020, **£4.3 million to support over 130 Local Authorities** to crack down on rogue landlords, in addition to the previous year's £2.4 million.
- Implemented the **Tenant Fees Act in June 2019**, banning unfair fees and capping deposits, with impact demonstrated through a reduction in average deposits protected through the government-approved tenancy deposit protection scheme.
- Published the **New Homes Ombudsman consultation response** in February 2020, setting out our intention to introduce legislation to establish a New Homes Ombudsman to resolve disputes, and to require developers of new build homes to be members of it.
- Received the first applications for the **Midlands pilot of the Voluntary Right to Buy scheme**. The ballot was oversubscribed, with over 9,000 households registering in August 2018. 6,000 tenants were given the opportunity to apply to buy their home. **By 31 March 2020 there had been 1,626 sales.**

3. Supporting local government to deliver high quality services with sustainable finances

We are responsible for maintaining an overview of the financial sustainability of the local authority sector, working collaboratively with other government departments including the Department for Environment, Food and Rural Affairs (DEFRA), Department for Transport (DfT), and the Department for Health and Social Care (DHSC) to understand and reflect the funding needs and resources of local government. We have secured the largest year on year increase in spending power for local government through the Finance Settlement for 2020-21 and as a department engaged effectively with stakeholders across Whitehall and the sector on issues affecting local authority funding to secure the best outcome for local government. We continue to support local authorities to integrate digital technology to improve public services and drive better value.

We supported local government in responding to the floods that arose during the year, no deal Brexit preparations and the COVID-19 pandemic emergency, through our established resilience and emergencies response and interventions.

What we achieved in 2019-20:

Securing a long-term settlement for local government

Figure 4

Our Performance: Final local government finance settlement 2018 to 2019

4 year settlement for local councils accepted by

97%

of local councils for 2019-20

Source: Local government finance settlement

- **Secured** the largest year on year increase in spending power, for local government, in a decade. Core local government spending is £49.2 billion in 2020-21, an estimated 4.4% real terms increase.
- **Included access to a £1 billion grant for Adult and Children's Social Care** in the 2020-21 settlement, on top of the continuation of existing social care grants, showing government's commitment to protecting the millions of people who rely on social care.
- **An additional 2% Adult Social Care precept** proposed, enabling councils to access a further £500 million. Meaning Adult and Children's Social Care has access to £1.5 billion of additional funding in 2020-21.
- Administered the **business rates retention system** under which local authorities **retained in excess of £17 billion** of the £25 billion of business rates income that authorities expected to collect locally during 2019-20.
- **Continued to increase efficiencies and reduce tax-payer liabilities** by supporting local government to **merge pension funds**, and to pool local government pensions liabilities.

Delivering better public services

- Worked closely with the Local Government Association, to support the delivery of the **Transformation and Innovation Exchange** tool launched in 2019, which allows councils to benchmark themselves against other councils and plot a journey to improve.

- Supported two local councils (Buckinghamshire and Northamptonshire) by introducing legislation during the year, to restructure and create modern unitary structures, including the improved use of digital capabilities.
- Awarded **a total of £2.5 million to local councils** through the **Local Digital Fund**, to deliver projects that support local authorities to integrate digital technology to improve public services and gain better value for money.
- Supported community resilience for emergencies through the **Resilience and Emergencies Division (RED)** supporting **Local Resilience Forums (LRFs)** to develop plans to respond to incidents such as the Toddbrook Reservoir incident. Provided expertise and liaison during and after emergencies through MHCLG's Operations Centre and Government Liaison Officers.
- Supported local authorities' ability to respond and recover by activating the emergency **Bellwin scheme** during November flooding. Under Bellwin, local authorities dealing with the flooding can apply to have 100% of their eligible costs, above a threshold, reimbursed by the government. In addition, government activated the **Flood Recovery** Framework for lower tier and unitary authorities where 25 or more homes were flooded, enabling local authorities to access funds to provide more direct support for businesses and households impacted by flooding.

4. Create strong communities, socially, economically, and a sense of place

Building strong, resilient and integrated communities that have local economies which bring opportunities to those who live in them, is one of government's top priorities and central to achieving the government wide ambition to level up the regions. As part of levelling up we committed to a West Yorkshire devolution deal at Budget 2020. We continued working to address inequality, increase social cohesion, and boost productivity in all parts of the country. Within all our investments we have put places at the centre of government plans and worked with others to increase physical and digital connectivity to boost business support. Almost half of the 100 Town Deals are across the North and another thirty in the Midlands. We continue to support local transformative growth working across government departments, including the Department for Transport and the Department for Culture, Media and Sport, and at the local level with Local Enterprise Partnerships (LEPs) and Mayoral Combined Authorities through our Local Growth Fund. We also work jointly with the Department for Business, Energy & Industrial Strategy (BEIS) to deliver inclusive growth for all our communities, implement policies and deliver funding to boost productivity in local economies across the country.

What we achieved in 2019-20:

Invest in places and our communities

- Announced a further £325 million for the **Future High Streets Fund** to enable an additional 50 towns to develop plans to reinvent their high streets.
- Selected **100 towns for the £3.6 billion Stronger Towns Fund** to develop Town Deals as part of the government's plan to level up our regions through investment in innovative regeneration plans.
- **Awarded over £10 million** to five selected coastal towns in 2019-20 as part of the **Coastal Communities Programme** to support nearly 1,000 jobs and attract up to £7.9 million in additional investment from public and private sector sources. This funding injection brought the total government investment in coastal communities to £228 million collectively supporting over **16,000 jobs and attracting over £45 million in additional investment**.
- The government reaffirmed its commitment to replace EU structural funds with the **UK Shared Prosperity Fund**, and at a minimum, matching the current levels of funding for each nation.

Support transformative growth in local places

- Continued to drive economic growth in the Midlands with the **Midlands Engine Partnership** receiving core funding of £590,000 in 2019-20 and £2 million for 2020-21, ensuring continued productivity and economic growth.
- Provided core funding of £1 million to the new **Thames Estuary Growth Board,** enabling delivery of the growth vision for its communities and the local economy.
- Implemented the **Local Enterprise Partnerships (LEPs) review** and introduced a **revised National Local Growth Assurance Framework** which came into effect in April 2019. The LEP Review set out how government and LEPs would work together to strengthen the leadership and capability of LEPs, improve accountability and manage risk, and provide clarity on geography. We published the National Local Growth Assurance Framework in January 2019 and completed the annual assurance programme which included a Mid-Year Review, compliance checks and an Annual Performance Review with all LEPs by March 2020.
- Progressed the city and growth deals in England and the devolved administrations, including the 'Heads of Terms' partnership agreements signed for the **Belfast Region City Deal (March 2019)**, **Borderlands Growth Deal (July 2019)** and **North Wales Growth Deal (Nov 2019).**
- Agreed a devolution deal for West Yorkshire which will, subject to ratification by those councils and the Combined Authority, and to the statutory requirements for making the secondary legislation implementing the provisions of the deal, provide gainshare investment funding of £38 million per year for 30 years, comprising over £1.1 billion in total to be invested by West Yorkshire to drive growth and take forward their priorities.
- Progressed another step towards the implementation of the Sheffield City Region devolution deal, which will provide gainshare investment funding of £30 million per year for 30 years, with the completion of required public consultation on 15 March 2020.

Build strong, confident and integrated communities that create opportunities for everyone

- Supported local areas to work with over **399,960 families** up to March 2020 with multiple and complex problems, as part of the Troubled Families programme (figure 5), with **350,105 families achieving successful outcomes as of 5 April 2020**.
- Completed the technical design phase, stage 4, for the National Holocaust Memorial and Learning Centre. Good progress continues with representatives from the UK Holocaust Memorial Foundation and academic advisory group developing the learning content for the centre.

Figure 5

Our Performance: Troubled Families Programme

Families engaged in the Troubled Families Programme

399,960

Families that have achieved significant and sustained progress against the problems that were identified when they entered the Troubled Families Programme

350,105

by 5 April 2020

Source: Annual report of the Troubled Families Programme 2019-2020

5. Secure effective support for those affected by the Grenfell Tower disaster, delivering the changes this tragedy demands and ensuring people are safe and feel safe within their homes

Our top priority from the Grenfell Tower disaster is to prevent a similar tragedy from reoccurring and supporting those affected by the disaster. MHCLG took ownership of the Tower in July 2019. We remain committed to working sensitively with the bereaved, survivors and Grenfell community in order to facilitate their journey of recovery, working towards a fitting memorial that recognises the Grenfell Tower fire tragedy and honours those who lost their lives.

We published the government's response to the Grenfell Tower Inquiry's Phase 1 report in January 2020, setting out the steps we are taking to implement the report's recommendations as well as the wider work we are doing to make buildings safer. The government introduced the Fire Safety Bill to the House on 19 March and it is currently making its way through Parliament.

Our commitment to ensuring that high-rise residential buildings are safe and that residents feel safe wherever they live remains a high priority. The government announced the biggest change to building safety in a generation, including establishing the Building Safety Regulator within the Health and Safety Executive to oversee the new regime and publishing consolidated guidance for building owners, including banning combustible materials on new high-rise homes. The government announced at Budget 2020 a £1 billion fund to support the removal and replacement of unsafe non-ACM cladding systems.

What we achieved in 2019-20:

Support the Grenfell community

- Continued with our commitment to putting the **community at the heart of the decision regarding a fitting and lasting memorial** for those who lost their lives. Supported the establishment of a **Memorial Commission** which will seek the views of the whole community to determine a fitting memorial.
- **We took ownership of the Grenfell Tower and put safety first**, by ensuring that the Tower remains safe and stable with a robust programme management function. The provision recorded in the accounts relates to the department's ongoing commitments and responsibilities for keeping the Grenfell Tower site safe and secure and preparing the site for future use. The site continued to be managed safely and securely with no incidents recorded. We also engaged the community by keeping them informed of key decisions and activity on the site to ensure continued safety, including the development of emergency scenario guides.
- Published the **Stage 1** Environmental Monitoring report in October 2019, commissioned through a Multi-Agency Partnership to oversee soil testing to identify potential contamination in the vicinity of Grenfell Tower, which concluded that there is no increased risk to health from the aftermath of the fire.
- Published the **government's response to the Grenfell Tower Inquiry's Phase 1 report** in January 2020, setting out the steps we are taking to implement the report's recommendations as well as the wider work we are doing to make buildings safer.

Ensure residents are and feel safe from fire

- Launched a **Private Sector ACM Cladding Remediation Fund** estimated at **£200 million**, in September 2019, to fully fund the removal and replacement of unsafe ACM cladding on private sector residential buildings 18 metres or over. As at 31 March 2020, 94 buildings were in scope for the fund of which 90 had submitted an application. As at 31 May, all 94 buildings had submitted an application, of which 35 applications had been approved. We also appointed a government construction expert to review the progress of removing unsafe ACM claddings from buildings.

- Published the '**Building a Safer Future**' consultation in June 2019 detailing proposals to achieve long-term reform of the building safety system, ensuring that residents voices on building safety are heard. The **response** to the Building a Safer Future consultation was published on 02 April 2020. New measures announced included mandatory sprinkler systems and consistent wayfinding signage in all new high-rise blocks of flats over 11m tall.
- **Announced** at Budget 2020, a £1 billion fund was allocated for 2020-21, to support the removal and **replacement of unsafe non-ACM cladding systems**. This is in addition to the £600 million already available for the remediation of high-rise buildings with unsafe ACM cladding, totalling £1.6 billion.
- **Continued to work with the social sector to complete remediation works**, with remediation completed on an additional 24 buildings in 2019-20. At the end of March 2020, 70 buildings had completed remediation and remediation had started on a further 75, meaning remediation had started or completed on 94% of the 154 social sector buildings with unsafe ACM cladding systems. There are plans and commitments in place to remediate the remaining 9. This has since increased to 75 social sector buildings completing remediation and of the remaining 79 buildings, 71 of these had started remediation as at 31 May 2020.
- In January 2020, we launched a **consultation into the current combustible cladding ban**, including proposals to lower the 18 metre height threshold to at least 11 metres.
- Established the Building Safety and Standards Regulator in shadow form under the Health & Safety Executive, regulating high rise building safety and performance standards. Dame Judith Hackitt was named as government adviser on the new Building Safety Regulator in October 2019.
- Continued to make people feel safe from fire by setting out further details expected in the upcoming **Fire Safety Bill**.

6. Support a Smooth Exit from the European Union

The UK left the European Union (EU) on 31 January 2020. MHCLG played a significant role in the government's no deal plans because we are the main link between central government and the local tier: local resilience forums, local authorities and local enterprise partnerships. Local authorities and local responders are on the frontline in any response, and their preparations needed to take account of local circumstances - for example the presence of ports. We took a series of steps to support local readiness:

- We improved lines of communication with all local authorities in England - through regular e-bulletins, teleconferences, our network of 9 Regional Chief Executives and our Local Government Delivery Board.
- We allocated **£78.5 million to support councils to prepare for Brexit** over 2018-19 (£24.9 million) and 2019-20 (£53.6 million). This included £5 million for highly impacted areas with significant ports
- We ensured that all councils had a Brexit Liaison Officer, who coordinated Brexit preparedness at a local authority level.
- We provided guidance to local government on accessing data from the European Economic Area in the event of no deal and no adequacy decisions being in place.
- We produced a local communications toolkit to support the 'Get Ready' public information campaign which included ready-made materials to help local councils alert EU citizens to the EU Settlement Scheme and the local support that's available to them to help them register for settled status. It also supported local communications with small and medium size enterprises to help ensure they would be ready to continue doing business once the UK left the EU.
- We worked with Local Resilience Forums to ensure that their plans were up to date and they were as ready as possible to respond to any short term impacts arising from a no deal Brexit.
- Alongside supporting the local tier, the department ensured the necessary legislation was in place to support exit day, including working with HM Revenue and Customs and Department for Transport on three Special Development Orders

to enable the right infrastructure at the border. We also made plans to support the UK's smooth extraction from EU funding programmes: European Regional Development Fund (ERDF) and European Territorial Co-operation (ETC). Under the EU Withdrawal Agreement with the ERDF and ETC programmes, funding will continue until 2023, giving the UK the stability needed to prepare.

- The department continues to support government's work during the transition period and is currently preparing secondary legislation to support a smooth transition to full independence at the end of the year.

7. Make MHCLG an even better place to work

A detailed update on our corporate objective of making MHCLG an even better place to work is included in the Staff Report on page 65 of the Accountability Report. It is however worthy of note in this section that during 2019-20 our people were presented with an unprecedented set of new challenges, including work to support our exit from the EU, support for local areas affected by significant winter flooding and, in the last weeks of the year, the COVID-19 pandemic. Our staff have shown great resilience and responded very positively by working in a flexible and collaborative manner, both across teams and in partnership with other government departments to deliver our ministers' domestic priorities and to respond to the issues of critical national importance highlighted above.

The strong performance of the department on a range of people issues was evidenced through a number of surveys. In the 2019 People Survey our overall engagement score was 65%, the 8th placed Whitehall department. The department was a high performer across 5 key themes; My Team, My Manager, Learning and Development, Inclusion and Fair Treatment and Leadership and Managing Change. The number of colleagues responding that they had the tools they need to work effectively grew by eight percentage points year on year, the largest increase of any single question. The survey also indicated positive progress on work-life balance and challenging inappropriate behaviour. In term of areas for development the survey surfaced challenges around performance management that we are already addressing through a new Performance and Development approach.

A subsequent Pulse Survey in 2020 highlighted the significantly greater disruption to our work as a result of the early response to COVID-19, when compared with the Civil Service average, with 53% saying that their work had changed 'completely' or 'a lot'. However 86% of staff said that they could work 'completely' or 'mostly' as effectively as they did before the outbreak, compared to the Civil Service average of 76%, whilst MHCLG colleagues also felt more supported than the Civil Service average in terms of workplace adjustments needed to do their job from home. The 2019 cross departmental functional survey of senior stakeholders highlighted that our people function was the highest rated for the third year in a row whilst our commercial, digital and finance function were rated as the most improved in Whitehall.

Challenges facing the department

The department has achieved significant progress in the face of substantial and unprecedented challenges during the 2019-20 financial year.

On 23 March 2020, the Secretary of State gave a ministerial direction to authorise the early release of two grants to local authorities including £1.6 billion from the Emergency Response Fund and a further £1.8 billion brought forward from 2020-21 Business Rates Relief grants. This provided total cashflow of £3.4 billion to allow local authorities to act on the government's announcements to tackle COVID-19. Options for providing this funding were discussed with HM Treasury in advance but it was concluded that it was too late in the year to obtain Parliamentary approval for the spending, hence a ministerial direction was sought as to whether to proceed. The lack of Parliamentary approval meant there was no budget cover for these grants which led to control total breaches, including £3.4 billion in Local Government RDEL (page 77) and £2.9 billion in the net cash requirement (page 78). As a result, the Comptroller and Auditor General has qualified his regularity opinion (page 95). An excess vote will be sought in 2020-21 to gain retrospective Parliamentary approval for these grants.

The department delivered over 241,000 additional homes in the last financial year, more new homes than at any point in the last 30 years; and the proportion of young homeowners increased after declining for more than a decade. However, **net additions to housing stock will need to continue to grow at pace** in order to ease affordability pressures. Although it remains challenging to build capacity and capability across the sector, we have taken important steps to encourage innovation and diversification of the market. The department has enhanced its monitoring of financial risk in the portfolio of financial instrument based programmes, following the increase in economic uncertainty resulting from the COVID-19 pandemic. The department will continue closely monitoring its financial risk during the next financial year, as the consequences of COVID-19 continue to materialise.

The department faced delivery challenges to the Public Sector Land Programme due to the market uncertainty and changing market conditions experienced in the final month of the programme, which have continued into 2020-21. This had an adverse impact on the number of sites that were disposed in March 2020, and continues to have an impact in 2020-21.

As a result of the real challenges the COVID-19 pandemic presents, it is vitally important that the market operates safely and in line with public health guidelines. To support this, on 21 May 2020, the department published guidance aimed at both industry and consumers which set out how home moves should be carried out over this period.

The original manifesto commitment to end rough sleeping by 2027 was brought forward in the 2019 manifesto to the end of the current Parliament. Despite considerable progress at the November 2019 count, COVID-19 has since had a significant impact and has presented an additional layer of complexity to the **challenge in keeping rough sleepers safe**.

Recognising the additional pressures the pandemic has placed upon local authorities across a range of policy areas, the department worked closely with local government to develop a package of support. On 19 March the government announced £1.6 billion of additional funding to support local authorities to respond to the pandemic, and a further £1.6 billion package of support was announced on 18 April 2020. This was alongside a £500 million hardship fund announced in March 2020 for local government to provide council tax reliefs to economically vulnerable households.

Work is also underway to develop a case for a unique funding support package for local government at this year's Spending Review, which was due to conclude in July this year but has been delayed to allow ministers to tackle the coronavirus emergency. Whilst the updated timing of the Spending Review is to be confirmed, we are working to understand the expenditure and income pressures the sector is facing. This work will involve extensive engagement with departments across Whitehall to support a joined-up departmental approach to analyse and assess the pressures facing local government and provide the sector with the quality of information they need to aid financial planning.

The department has made active use of a package of **COVID-19** flexibilities that the European Union has put in place for the **ERDF programmes** to support a range of economic and related social distancing measures, including a £50 million Re-opening High Streets Safely Fund in 2020-21. We have also developed policies and delivered funding to stabilise businesses, places and to support the recovery and rebalancing of the economy.

Last year saw MHCLG promote inter-faith and community work with the aim to build bridges between people of all backgrounds by launching a £2 million **Faith, Race and Hate Crime grant scheme** in March 2020. Due to the COVID-19 pandemic activities were paused, however MHCLG will be reactivating this activity. Specifically, in response to the Black Lives Matter movement and the new Race Inequality Commission, MHCLG will need to do more to meet the departments responsibilities through its developed policies and consider further the outcomes for the groups they serve, in particularly those who face disadvantage or inequality.

The **Grenfell** Site and Programme Team are responsible for keeping the Grenfell Tower site safe and secure until a decision is made about its future. This includes ensuring regular checks and maintenance to ensure the ongoing structural integrity of the Tower. Essential maintenance activities and inspection have continued throughout the COVID-19 pandemic. Non-essential activities have resumed with adjustments made to facilitate social distancing. Work to support the Grenfell community is also continuing throughout the COVID-19 and social distancing measures. As in previous years, we supported the community's plans for the 3 year commemorations on 14 June in line with Government guidelines. The bereaved, survivors and the community have been updated on management of the site through non-face to face communications such as phone, online meetings and/or email. The community-led Grenfell Tower Memorial Commission continues to meet remotely, facilitated by MHCLG officials.

As of August 2020, we continue to see good progress on the **remediation of unsafe cladding**, with more than 70% of buildings with ACM cladding now having completed or in the process of remediation - rising to above 90% in the social housing sector.

However, we know that remediation wasn't happening quickly enough, particularly in the private sector. That is why £1.6 billion of funding has been provided for the remediation of ACM and other types of unsafe cladding from high rise residential buildings in the private and social housing sectors. Remediation can be complex and will vary from building to building. We've appointed construction experts who are reviewing remediation timescales and identifying what can be done to speed things up in the private sector.

Nearly all private high rise residential buildings where unsafe ACM remains are now in line to have remedial work scheduled. It is unacceptable that some private sector building owners have yet to put remediation plans in place and we continue to actively pursue them and encourage swift action. Local authority and fire and rescue services have enforcement powers and the government is supporting them to use those powers in a concerted way. We have also recently held a London Summit with London leaders, including the Mayor, to agree an action plan for accelerating the remediation of buildings in London.

MHCLG has published guidance on building safety, remediation and COVID-19, reflecting the government's view that remediation of unsafe ACM cladding remains a priority. The department has been in contact with those buildings that have started remediation understand the impact of COVID-19 on remediation progress. All active sites that paused work on remediation as a direct result of COVID-19 have since resumed work on site.

In the face of these multiple challenges that the country is facing, this department continues to be at the forefront of the government's effort to make local government and public services financially sustainable, restart local economies, rebuild and level-up our communities, and deliver the homes this country needs.

Throughout the year the department has and will continue to **face resourcing pressures in deploying staff across the department to deal with the pandemic and EU Transition.** For the foreseeable future, change will be the new normal. It is more clear than ever before that we need to strengthen our capacity and capability to respond to these emerging priorities while also continuing to deliver our strategic objectives.

Our Expenditure and Financial Position

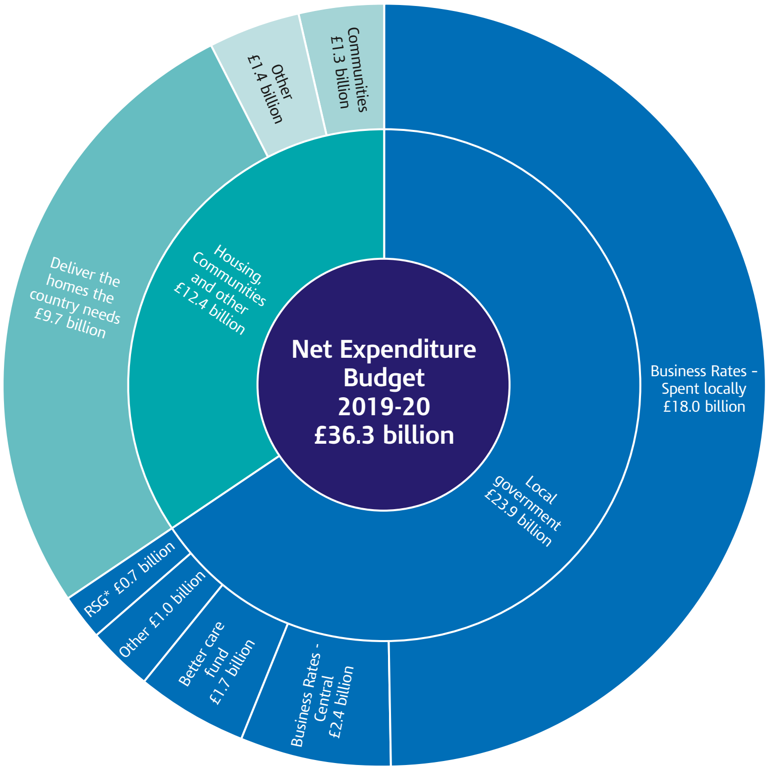
Group Budget 2019-20

This section and the diagram below represents the 2019-20 Departmental Group budget. Actual expenditure compared to budget can be found on page 77.

Our **total net expenditure budget of £36.3 billion**[4] is shown in the centre of the diagram. This is then split between two segments; local government (£23.9 billion: £25.6 billion expenditure offset by £1.7 billion income) and our other strategic objectives as shown on page 6 (£12.4 billion: £14.2 billion expenditure offset by £1.8 billion income). The outer circle shows the main components of spend within each segment.

4 https://www.gov.uk/government/publications/supplementary-estimates-2019-20

Figure 6: Net Expenditure Budget 2019-20



*Revenue Support Grant

Local Government: Local government funding is provided to local authorities and the majority can be spent on any service [5]. The outer circle splits our local government budget into further detail:

- the local share of business rates retained by local authorities to spend locally (£18.0 billion);
- the business rate redistributed centrally (£2.4 billion);
- the Better Care Fund (£1.7 billion);
- the Revenue Support Grant (£0.7 billion); and
- other smaller grants (£1.0 billion).

Other grants (£1.0 billion) includes the Adult Social Care Fund, Independent Living Fund and various other grants which are all administered by MHCLG.

Housing, communities and other: The housing and communities budget is used to fund the department's programmes and, in the diagram, has been split by strategic objective. The majority of this spend relates to our objectives to deliver the homes the country needs (£9.7 billion) and to create strong communities, socially, economically and a sense of place (£1.3 billion). Other housing and communities spend (£1.4 billion) includes our strategic objectives to make the vision of a place you call home a reality (£0.5 billion); secure effective support for those affected by the Grenfell Tower disaster, delivering the changes this tragedy demands and ensuring people are safe and feel safe within their home (£0.3 billion) and our running costs (£0.6 billion). The strategic objectives for making MHCLG an even better place to work and supporting a smooth exit from the EU do not have a specific budget allocated to them. They are included across the areas above.

5 Local share, Revenue Support Grant, business rates relief, top-ups and in year and outturn payments can be spent on any service.

Running costs include administration expenditure and expenditure related to movements in pension scheme liabilities and additions and impairments of capital assets used to run the department. We earn £0.07 billion income to offset our internal costs. Further detail on the department's budgets can be found in the Parliamentary Accountability and Audit Report from page 73.

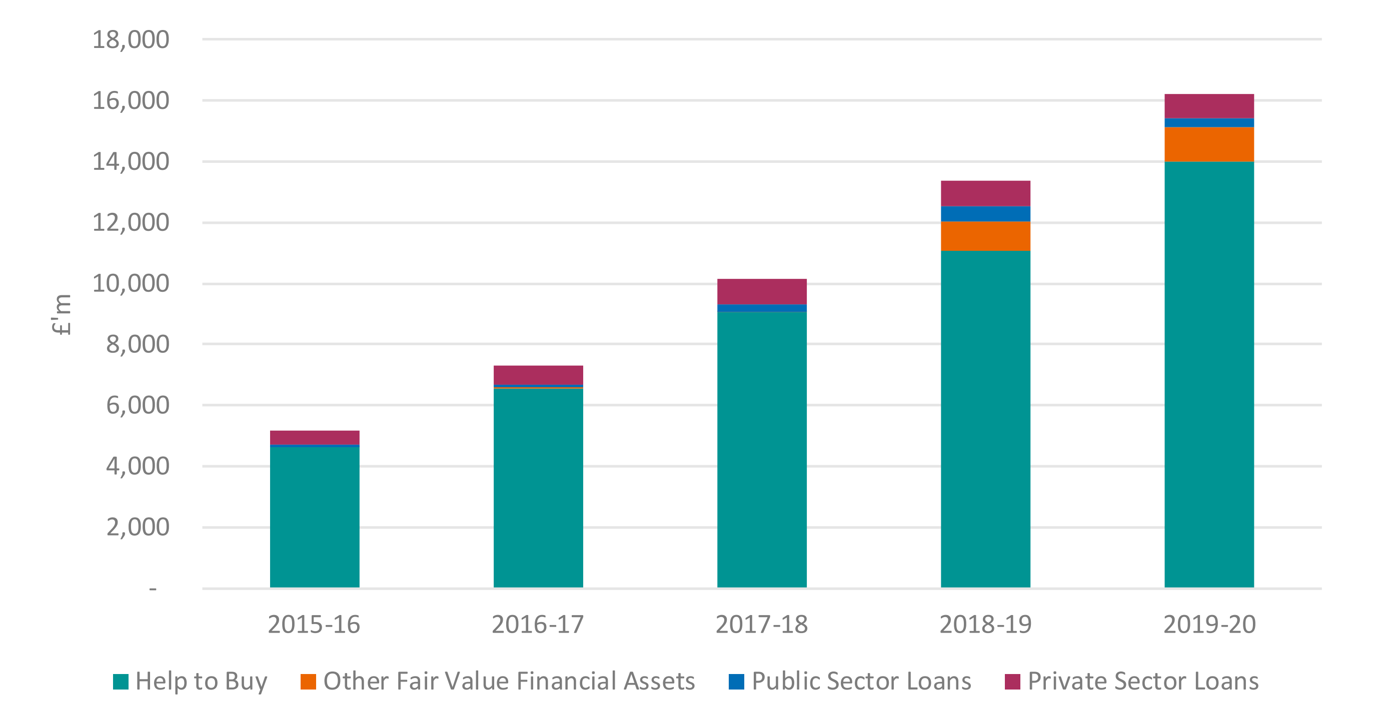
The diagram includes AME budgets attributed to each strategic area.

Group Loans, Investments and Returns

In order to achieve its objectives more efficiently, the department has increasingly made investments or given loans instead of grants, sometimes from its own balance sheet and sometimes by guaranteeing loans made from other entities. All loans are due to be repaid in full with an appropriate rate of interest. However, as with any investment product, there is a risk of loss and provisions are recorded as required.

Most of the department's loans have maturities of less than 10 years, but finance extended under the Help to Buy scheme has, typically, a 25 year limit, and finance extended under the guarantee programmes may have maturities up to 30 years.

Figure 7: MHCLG Financial Assets

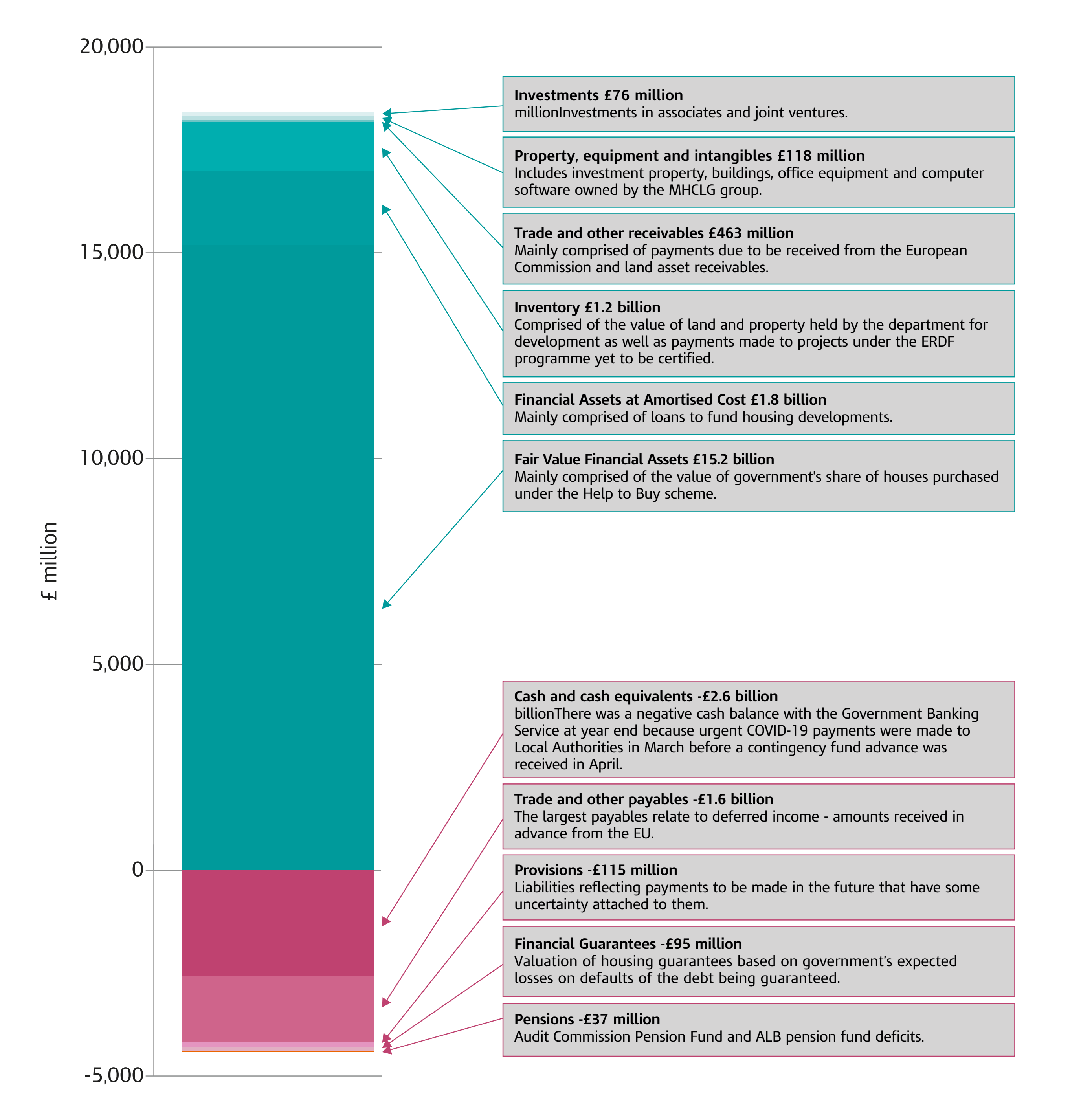


Source: Annual Report and Accounts

Group Financial Position

The department's Statement of Financial Position as at 31 March 2020 (page 101) shows the size of our asset base which is predominantly made up of the department's investment in the Help to Buy scheme. The Governance Statement describes how the department manages the financial and credit risk of its portfolio of financial instruments.

Figure 8: Department's Statement of Financial Position 31 March 2020



Managing our key risks

MHCLG faces a range of risks stemming from its diverse responsibilities for housing, local government, communities and growth, as well as its role as a central government department and employer. The risks we face are varied in nature and severity and are sometimes determined by unpredictable external events such as changes in the UK economy, or by external forces over which the department may have some influence but no control.

The department must ensure its budgets are allocated appropriately in order to meet its objectives and must act to ensure value for money and to deliver on its duty of care to staff and others, while mitigating these risks.

Over the course of the year the Risk Management Framework has continued to be developed and implemented, with a particular focus on the identification of the department's risk landscape and associated mitigations. The Executive Team have actively engaged on this, supported by its Risk Sub-Committee. The Governance Statement which provides further details of these arrangements can be found from page 39.

Area	1. Strategic Risk		2. Financial Risk		3. Operational Risk	
Examples	Programme design and delivery	Reputation and external Stakeholders	Non-recovery of loans	Write-down of assets or liabilities	Personal Misconduct	Regulatory Compliance
	External Events	Capability, capacity and resources	CDEL Impact	AME Impact	Fraud	Data, Personal, Physical Security
Managed by	Executive Team, Senior Leaders		Financial Programme/ Instrument Managers		All of our people	
Risk appetite	Significant but impossible to quantify		Significant but quantified, agreed and limited		Zero to minimal, insofar as feasible and cost-effective	

Sustainability Report

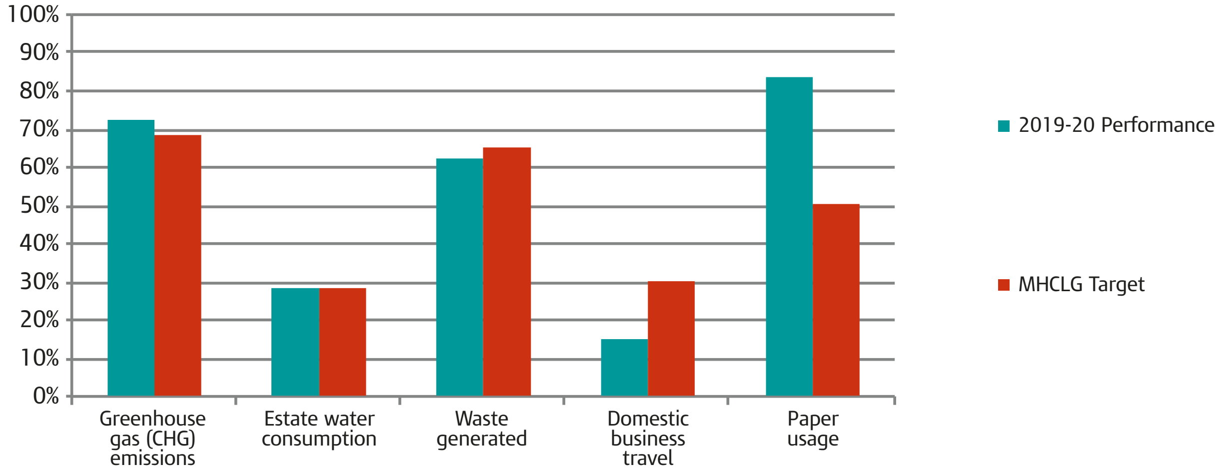
Sustainability recognises that the three 'pillars' of the economy, society and the environment are interconnected. It is a long-term, integrated approach, to achieving quality of life improvements while respecting the need to live within environmental limits.

We subscribe to several targets including the mandatory Greening Government Commitments (GGCs) for reducing energy, water, paper and other resource use, reducing travel and managing waste.

Environmental data is for a 12-month period from January 2019 to December 2019. 2018-19 non-financial indicators have been restated to include actual environmental performance for the 2018-19 financial year. The department reports on its executive agency and arm's length bodies, which are set out in note 24. Non-financial information will include the Queen Elizabeth II Conference Centre.

The chart below shows our present position on our GGCs against a 2009-10 baseline.

Figure 9: Greening Government Performance



The department is on track to meet its greenhouse gas emission target of 68% and has met or exceeded the GGC targets for water, landfill and paper use, as well as managing associated financial costs. In December 2019, the department had achieved waste reductions of -62% against the -65% target and was on track to achieve the target for 2019-20 as a whole. The Ministry of Justice provides a real-time energy use display for the department's buildings and this can be viewed online[6]. The target to reduce business travel was not achieved due to an increase in carbon emissions from flights. This is because the department has relatively few flights so a small change in number of flights can be a large percentage of the total. The department participated in several sustainability events including Earth Hour and Recycling Week.

Greenhouse Gas Emissions

The department has continued to reduce its total in-scope gross greenhouse gas emissions throughout 2019-20, achieving a total reduction of 72% since the 2009-10 baseline year. This has been achieved largely through improved building management (primarily relating to heating and cooling), estate rationalisation and co-location, and adopting more resource efficient behaviours. Scope 1 and 3 emissions and water and energy use have increased compared to last year due to a higher number of people using our buildings but is in line with targets against the 2009-10 baseline.

6 http://webview2.ecodriver.net/Justiceshared/

Figure 10: Greenhouse Gas Emissions, Travel, Waste and Water

Greenhouse Gas (GHG) Emissions			2009-10 baseline	2015-16	2016-17	2017-18	2018-19 restated	2019-20
Non-Financial Indicators (tonnes CO_2e)	Total Gross Scope 1 (Direct) GHG emissions[7]		3,650	1,628	1,538	1,617	1,727	1,799
	Total Gross Scope 2 (Energy indirect) emissions		13,928	5,835	5,296	5,155	3,514	3,267
	Total Gross Scope 3 (Official business travel) emissions		5,904	1,647	1,743	1,569	1,621	1,626
	Total Emissions – Scope 1, 2 & 3		**23,482**	**9,110**	**8,578**	**8,341**	**6,862**	**6,692**
Related Energy Consumption (MWh)	Electricity: Non-Renewable		25,943	-	-	-	-	-
	Electricity: Renewable		1,695	12,624	12,854	14,663	12,413	12,780
	Gas		20,901	7,105	6,755	7,266	8,014	8,311
	Total Energy Consumption		**48,539**	**19,609**	**19,729**	**21,929**	**20,426**	**21,091**
Financial Indicators (£'000)	Expenditure on Energy		2,944	1,238	1,210	1,104	1,058	840
	CRC Licence Expenditure		N/A	197	78	47	40	40
	Expenditure on accredited offsets (e.g. Government Carbon Offsetting Fund)		1	-	-	-	-	-
	Expenditure on official business travel		6,160	2,712	3,829	1,511	2,180	2,922
	Expenditure on domestic air travel		270	21	31	22	112	74
International Business Travel			**2009-10**	**2015-16**	**2016-17**	**2017-18**	**2018-19 restated**	**2019-20**
Non-Financial Indicators	Flights		47	51	24	74	46	59
	Rail		283	1	1	<1	<1	<1
(Tonnes CO_2e)	**Total**		**330**	**52**	**25**	**73**	**46**	**59**
Waste			**2009-10**	**2015-16**	**2016-17**	**2017-18**	**2018-19 restated**	**2019-20**
Non-Financial Indicators (tonnes)	All waste		2,103	732	470	520	750	795
	Hazardous waste		1	3	-	-	-	-
	Non-hazardous waste	Landfill	351	46	149	43	40	31
		Reused/Recycled	1,716	293	500	336	643	711
	Incinerated/ energy from waste		189	84	131	141	67	53
Financial Indicators (£'000)	Total disposal cost		**252**	**75**	**86**	**66**	**137**	**161**
	Paper Procured		202	47	14	12	42	No data
Water Consumption			**2009-10**	**2015-16**	**2016-17**	**2017-18**	**2018-19 restated**	**2019-20**
Non-Financial Indicators (m^3)	Water Consumption	Office Estate	62,710	31,592	19,143	30,735	36,445	39,509
		Whole Estate	99,358	51,318	47,990	55,228	68,800	71,752
Financial Indicators (£'000)	Water Supply & Sewage Costs		122	82	78	53	27	64

7 Definitions for Scope 1-3 emissions can be found at https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/69282/pb13309-ghg-guidance-0909011.pdf

Other Sustainability Commitments

The department is committed to procuring sustainably and reports against a number of transparency commitments as part of the GGC framework.

Sustainable Procurement

Procurement staff are provided with annual training on sustainable procurement. Identified procurement champions are offered a more advanced annual training to provide a robust layer of sustainable coverage. Sustainability clauses are embedded within the department's general terms and conditions and is in the process of being defined around a 'whole life' contractual analysis. New contracts require that suppliers meet the Government Buying Standards (GBS).

Procurement of Food and Catering

All food provided in our catering outlets is produced to UK or equivalent food standards and is local and in season, where possible. We buy food from farming systems that minimise harm to the environment, such as produce certified by LEAF, the Soil Association or Marine Stewardship Council. We also offer fairly traded and ethically sourced products. We are reducing the amount of foods of animal origin eaten, as livestock farming is one of the most significant contributors to climate change, and ensure that meat, dairy products and eggs are produced to high environmental and animal welfare standards. We are also reducing the amount of palm oil used and ensure that what is used is sustainably sourced.

Sustainable Construction

The department is committed to achieving the Building Research Establishment Environmental Assessment Method excellent/very good standard, for new builds or major refurbishment in line with the Government Buying Standards. However, there were no such projects carried out in 2019-20.

Small and Medium Sized Enterprises (SMEs)

The Group reported that 31.7% (2018-19: 26.3%) of its total spend was made to SMEs during the 2019-20 financial year. This figure includes both direct and indirect spend. The figures are provisional for the whole financial year as the direct SME spend data is yet to be validated and indirect SME spend data collection has been delayed due to COVID-19. Indirect spend with SMEs is forecast based on historical % spend. Based on the trend over the previous three financial years, the Group has set a target for an increase of 0.5% in SME spend each year, until the financial year 2021-22. This target has been exceeded in 2019-20.

Biodiversity and Natural Environment

The department's estate comprises mainly of buildings with little outside space and limited opportunity to enhance the natural environment.

Sustainable Development

Sustainable development remains integral to policy work in the department, notably in planning policy and economic growth activities. The National Planning Policy Framework (NPPF) sets out the government's view of what sustainable development means for the planning system.

Rural Proofing

The Department for Environment, Food & Rural Affairs' (DEFRA) rural proofing impact assessment is an integral part of the department's approach to developing regulation.

Climate Change Adaptation

Climate resilient designs are incorporated in retrofit projects and new builds. In addition, robust business continuity plans are in place to manage occurrences of extreme weather events.

Other Required Reporting

The department is required to report against various other topics in its Annual Report and Accounts as per the requirements set out in PES (2019) 13:

- Section 70 of the Charities Act 2006 sets out a power for Ministers to give financial assistance to charitable, benevolent or philanthropic institutions and requires that payments made under this power are reported. The table at Annex A sets out the financial assistance provided by the Secretary of State under this power for the year 2019-20, totalling £18.2 million (2018-19: £16.5 million).
- No complaints against the department were accepted for investigation by the Parliamentary Ombudsman during the period 1 April 2019 to 31 March 2020.
- In 2019-20 the department processed 12,083 (2018-19 20,203) pieces of correspondence from members of the public that were answered by officials. Of these, 64% (2018-19 66%) of letters requiring a response were replied to within our target of fifteen working days. There was a significant increase in TOs (Treat Official) correspondence in March due to COVID-19 so achievement of the 15-day deadline was affected. The department received 3,421 TOs in March (more than 25% of the whole year's cases), of which only 1,221 (36%) were answered within 15 days. If the department had been able to maintain the performance shown from April 2019 - Feb 2020, the overall figure for the year would have been approximately 71%.

Jeremy Pocklington CB **29 October 2020**
Accounting Officer
Ministry of Housing, Communities and Local Government

Accountability Report

Introduction

The Accountability Report is included to meet key accountability requirements to Parliament. It is structured as follows:

Corporate Governance Report

Explains the composition and organisation of the Department's governance structures.

Remuneration & Staff Report

Provides detail on remuneration and staff that Parliament and other users see as key to accountability.

Parliamentary Accountability & Audit Report

Brings together the key Parliamentary accountability documents.

Corporate Governance Report

The Directors' Report

Our Departmental Board

During 2019-20 the department consisted of the core department, one executive agency and twelve other arm's length bodies (ALBs). Note 24 of the accounts provides a full list of public bodies sponsored by the department and identifies those that are consolidated into the accounts of the Departmental Group ('the Group').

The Departmental Board, comprising of Ministers, non-executive directors and the Executive Team, met twice in the year rather than quarterly, due to the General Election and in-year changes to the Ministerial and Executive team. Each member's attendance at Departmental Board meetings is noted below. The Board's role is to advise on and supervise five key areas: strategic clarity; commercial sense; talented people; results focus; and management information. The department also has a Non-Ministerial Board which met twice in 2019-20. The Non-Ministerial Board is chaired by the Lead Non-Executive Director. It is attended by the Executive Team and non-executive directors. Its role is to scrutinise organisational capability and culture.

Further details of Ministers' areas of responsibility, the department's non-executive directors and the Executive Team can all be found at: https://www.gov.uk/government/organisations/ministry-of-housing-communities-and-local-government

Information on significant interests held by board members which may conflict with their management responsibilities can be found in Note 22 Related Party Transactions in the accounts.

Our Ministers as at 31 March 2020[8]

The Rt Hon Robert Jenrick MP

Secretary of State for Housing, Communities and Local Government and chair of the Departmental Board

From 24 July 2019

Attended 1 of 1 board meetings

The Rt Hon Christopher Pincher MP

Minister of State for Housing

From 13 February 2020

Did not attend any board meetings*

Luke Hall MP

Parliamentary Under Secretary of State, Minister for Rough Sleeping and Housing

From 27 July 2019

Attended 1 of 1 board meetings

Simon Clarke MP

Minister of State for Regional Growth and Local Government

From 13 February 2020 to 8 September 2020

Did not attend any board meetings*

Lord Stephen Greenhalgh

Minister of State for Building Safety, Fire and Communities

From 18 March 2020

Did not attend any Board meetings*

8 Attendance records relate to Ministerial Board meetings.

Our Non-Executive Directors

Michael Jary

Lead Non-Executive Director

Attended 2 of 2 board meetings

Dame Mary Ney DBE

Non-Executive Director

Attended 2 of 2 board meetings

Pam Chesters CBE

Non-Executive Director

Attended 2 of 2 board meetings

Our Executive Directors

Jeremy Pocklington CB

Permanent Secretary

Interim from 1 March, substantive from 30 March 2020.

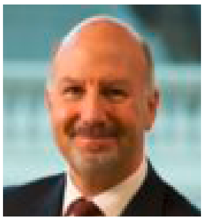
Previously Director General, Housing & Building Safety. Tracey Waltho took over this role on 30 March 2020.

Attended 2 of 2 board meetings

Catherine Frances

Director General, Local Government & Public Services

Attended 2 of 2 board meetings



Andy Hobart

Interim Director General, Chief Financial Officer

From 14 December 2019 to 17 August 2020.

Matt Thurstan started as Director General, Chief Financial Officer on 17 August 2020.

Did not attend any Board meetings*

Emran Mian

Director General, Decentralisation & Growth

From 30 September 2019

Did not attend any board meetings*

Tracey Waltho

Director General for Housing, Planning and Building Safety

From 30 March 2020

Did not attend any board meetings*

Lise-Anne Boissiere

Director, Strategy

Attended 2 of 2 board meetings

David Thomas

Director, Finance

Interim Board Member from 14 December 2019 to 17 August 2020.

Did not attend any board meetings*

Ruth Bailey

Director, People, Capability & Change

Attended 1 of 2 board meetings

Other Ministers who served in the department during 2019-20 were:

- The Rt Hon James Brokenshire MP - Secretary of State for Housing, Communities and Local Government (until 24 July 2019) - attended 1 of 1 board meetings.
- Rishi Sunak MP - Parliamentary Under Secretary of State, Minister for Local Government (until 24 July 2019) - attended 1 of 1 board meetings.
- Kit Malthouse MP - Minister of State for Housing (until 24 July 2019) - attended 1 of 1 board meetings.
- Heather Wheeler MP - Parliamentary Under Secretary of State, Minister for Housing and Homelessness (until 26 July 2019) - attended 1 of 1 board meetings.
- Lord Bourne of Aberystwyth (until 26 July 2019) - Parliamentary Under Secretary of State, Minister for Faith - attended 0 of 1 board meetings.
- Viscount Younger of Leckie - Parliamentary Under Secretary of State, Minister for Faith and Communities (from 27 July until 14 February 2020) - attended 1 of 1 board meetings.
- Jake Berry MP - Parliamentary Under Secretary of State, Minister for the Northern Powerhouse and Local Growth (until 13 February 2020) - attended 0 of 2 board meetings.
- Esther McVey MP - Parliamentary Under Secretary of State, Minister for Housing and Planning (from 24 July 2019 to 13 February 2020) - attended 0 of 1 board meetings.

Minister Kelly Tolhurst MP joined the department on 8 September 2020.

Other non-executive directors who served in the department during 2019-20 were:

- Daniel Morley - Non-Executive Director (until 6 September 2019) - attended 1 of 1 board meetings.

Other Executive Directors who served in the department during 2019-20 were:

- Dame Melanie Dawes DCB - Permanent Secretary (until 29 February 2020) - attended 2 of 2 board meetings.
- Rachel McLean - Director General, Chief Financial Officer (until 31 December 2019) - attended 2 of 2 board meetings.
- Tom Walker - [Interim] Director General, Decentralisation & Growth (from 1 July to 2 October 2019) - attended 1 of 1 board meetings.
- Simon Ridley - Director General, Decentralisation & Growth (until 22 July 2019) - attended 1 of 1 board meetings.

*No board meetings were scheduled during this time.

Auditor

The core, agency, arm's length body and group accounts have all been audited by the Comptroller and Auditor General (C&AG) with the exception of the Leasehold Advisory Service which is audited by Beever & Struthers. Further details are given in the accounts of the bodies concerned. The total cost of the audit across the Departmental Group is £952,598 of which £530,098 is a cash charge and £422,500 is a notional charge (2018-19: £820,920 of which £404,920 was a cash charge and £416,000 was a notional charge).

The audit fee for the core department is £295,000 (2018-19: £295,000), broken down as £270,000 for the departmental audit, £10,000 for the cost of consolidation work and £15,000 for the departmental audit of the Whole of Government Accounts submission made by the department to HM Treasury.

In addition, the department meets the costs for audit of the Business Rates-related accounts. The fees are all notional charges and are included in the group accounts. The fees on these audits are as follows:

- Main Rating Account: £40,000 (2018-19: £38,000)
- Levy Account: £8,000 (2018-19: £7,000)
- Trust Statement: £20,000 (2018-19: £19,000)

The NAO performed other statutory audit work, including value for money studies, and other reports to management at no cost to the department.

Personal Data Related Incidents

The department, its executive agency and ALBs manage a range of data which relates to staff and citizens, most of which is used to support policy analysis and review and does not allow the identification of individuals. Procedures and processes are in place to protect information and data and to ensure it is only used for the purposes for which it was collected. For further information on the department's response to data related incidents, refer to page 50.

For the department and its executive agency, 11 personal data incidents met the threshold for reporting to the Information Commissioner's Office (ICO) during the period 1 April 2019 to 31 March 2020. In all cases, the ICO determined that no further action was required. Details of these incidents are as follows, of which points 2 - 11 relate to our executive agency. Other arm's length bodies report separately in their own Annual Report:

1. USB sticks lost in standard Royal Mail post;
2. Email sent to 141 users in error;
3. Planning Inspectorate email addresses distributed to an unauthorised email address; Planning Inspectorate staff received information identifying internal third parties;
4. Compensation payment amount published identifying individual;
5. Names and addresses published on Planning Inspectorate website that should not have been disclosed;
6. Names identified, and special category data published on Planning Inspectorate website;
7. Online publication and exchange of personal data marked private that should not have been published;
8. Online publication of special category data of members and inappropriate comments connected that should not have been published;
9. Online publication and exchange of personal data marked private that should not have been published;
10. Online publication and exchange of allegations of harm to individuals made against party connected to an appeal; and
11. Online publication and exchange of allegations of environmental damage made against party connected to an appeal.

Statement of Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act 2000 (the GRAA), HM Treasury has directed the Ministry of Housing, Communities and Local Government to prepare, for each financial year, consolidated resource accounts detailing the resources acquired, held or disposed of and the use of resources during the year by the department (inclusive of its executive agency) and its sponsored non-departmental and other arm's length public bodies designated by order made under the GRAA by Statutory Instrument 2018 number 313 (together known as the 'Departmental Group', consisting of the department and bodies listed in Note 24 to the accounts). The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the department and the Departmental Group and of the income and expenditure, Statement of Financial Position and cash flows of the Departmental Group for the financial year.

In preparing the accounts the Accounting Officer of the department is required to comply with the requirements of the Government Financial Reporting Manual (FReM) and in particular to:

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- ensure that the department has in place appropriate and reliable systems and procedures to carry out the consolidation process;
- make judgements and estimates on a reasonable basis including those judgements involved in consolidating the accounting information provided by non-departmental and other arm's length public bodies;
- state whether applicable accounting standards, as set out in the FReM, have been followed, and disclose and explain any material departures in the accounts;
- prepare the accounts on a going concern basis; and
- confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

HM Treasury has appointed me, Jeremy Pocklington CB, the Permanent Head of the Department, as Accounting Officer of the Ministry of Housing, Communities and Local Government. The majority of this report relates to a period when I was not the Accounting Officer. My predecessor, Dame Melanie Dawes DCB left at the end of February 2020. Prior to being appointed Permanent Secretary, I was the Director General for Housing and Building Safety for MHCLG. I was a member of the Executive Team throughout the reporting year. In addition, in the period between my appointment and Dame Melanie Dawe DCB's departure, I met with her and with the Head of Internal Audit and received appropriate assurances that the system of internal controls was sound and effective prior to my appointment as Accounting Officer. Therefore, I consider that I have sufficient knowledge and have had sufficient involvement to take responsibility for this statement.

The Accounting Officer of the department has also appointed the chief executives or equivalents of its sponsored non-departmental and other arm's length public bodies as Accounting Officers of those bodies. The Accounting Officer of the department is responsible for ensuring that appropriate systems and controls are in place to ensure that any grants that the department makes to its sponsored bodies are applied for the purposes intended and that such expenditure and the other income and expenditure of the sponsored bodies are properly accounted for, for the purposes of consolidation within the resource accounts. Under their terms of appointment, the Accounting Officers of the sponsored bodies are accountable for the use, including the regularity and propriety, of the grants received and the other income and expenditure of the sponsored bodies.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the assets of the department or other arm's length sponsored public bodies for which the Accounting Officer is responsible, are set out in *Managing Public Money* [9] published by HM Treasury.

As the Accounting Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the department's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

9 This publication offers guidance on how to manage public funds and can be found here: https://www.gov.uk/government/publications/managing-public-money

Governance Statement

Introduction

The Accounting Officer is responsible to Parliament for the stewardship of the resources given to MHCLG, including those allotted to the department's arm's length bodies (ALBs) and for funding which is devolved to local bodies such as Local Authorities (LAs) and Local Enterprise Partnerships (LEPs). This Governance Statement sets out the range of measures we implement to achieve effective control across the Departmental Group and the sources of assurance available to the Accounting Officer to support the conclusions drawn.

More detail on the control system is given in the Accounting Officer System Statement[10] (AOSS) and the National Local Growth Assurance Framework[11] which gives details of arrangements for LEPs.

Details for individual ALBs are contained in the Governance Statements of their individual Annual Report and Accounts.

This Governance Statement sets out:

- the role of the Board and the Audit and Risk Assurance Committee (ARAC) of the Board and in particular the work of the non-executive directors in supporting and challenging the work of the department, culminating in the annual Governance Assurance Exercise;
- the role of the Executive Team (ET) and its sub-committees;
- the role of the Senior Sponsors and the Boards of the ALBs;
- the mechanisms in place to assure the Accounting Officer that locally devolved budgets are spent with regularity, propriety and value for money; and
- the risk management framework and the risk environment in which we operate.

Board Committees

The Board committee structure is set out in Figure 11.

Figure 11: Board committees

10 The latest version of MHCLG's AOSS can be found here: https://www.gov.uk/government/collections/accounting-officer-system-statements
11 This framework is for Mayoral Combined Authorities with a Single Pot funding arrangement and Local Enterprise Partnerships and can be found here: https://www.gov.uk/government/publications/national-local-growth-assurance-framework

The Departmental Board and Non-Ministerial Board

The Departmental Board is chaired by the Secretary of State and comprises Ministers, the Executive Team and non-executive directors, currently totalling 15 people. The Board met twice during the year and full attendance records are provided in the Directors' Report, page 33. The third and fourth meetings were cancelled due to wider events including the General Election in December 2019, and in-year changes to the Ministerial and Executive Team.

The Non-Ministerial Board is chaired by Michael Jary in his capacity as the Lead Non-Executive Director and comprises the non-executive directors and the Executive Team, currently totalling 10 people. It met twice during the year. The non-executive directors also met with members of the Executive Team on an ad hoc basis throughout the year to provide challenge and support on a range of topics.

These Boards consider the department's overall performance against its strategic objective metrics and indicators, supported by a verbal report from the Permanent Secretary and, where appropriate, the Departmental Performance Reports produced for the Executive Team. The Departmental Board receives a briefing and report from the ARAC chair on the latest ARAC meetings as a standing item.

During 2019-20 the Departmental Board reviewed departmental finances, Homes England capacity and delivery, preparations for Brexit and the anticipated Spending Review.

Measures to ensure compliance with the Corporate Governance Code[12] include: undertaking periodic evaluations of Board effectiveness; managing conflicts of interest and effective management and reporting of risks, including undertaking deep dives at ARAC of individual risk areas. All Board Members are required to declare conflicts of interest so they can be understood, considered and handled appropriately. A register of interests is maintained which covers all executive and non-executive members. It is updated annually and when relevant changes occur. I am satisfied that there were no material conflicts of interest during the year.

The 2019-20 Board Effectiveness Evaluation process was suspended across government due to COVID-19. The Cabinet Office instead collected key management information on the Board meetings held and the governance put in place to respond to COVID-19. MHCLG will undertake a full Board Effectiveness Evaluation in 2020-21, including independent input from another government department's Lead Non-Executive Director.

Audit and Risk Assurance Committee

The Audit and Risk Assurance Committee (ARAC) is chaired by Non-Executive Director, Pam Chesters. Other members during 2019-20 were the Lead Non-Executive Director, Michael Jary, and an independent member, Mark Sheridan, both of whom continue to serve. Daniel Morley was also a member of the Committee until September 2019 when he stood down as Non-Executive Director. A new second independent member, Susan Barratt, has been recruited to begin in 2020-21 in order to strengthen further ARAC's capacity in undertaking its functions. The ARAC currently therefore has four members, although it is also regularly attended by various additional people including departmental officials and representatives from NAO, GIAA and Homes England. The ARAC met six times during 2019-20, receiving papers on the internal and external audit programmes; the department's strategic risks including building safety, preparations for Brexit, and reviewing the Annual Report and Accounts.

Governance Assurance Exercise

At the end of each financial year Governance Assurance Panels (GAPs), structured around our four departmental groups, allow the department to draw assurances on the effectiveness of the governance arrangements, internal controls and risk management arrangements implemented by the director generals and directors in the discharge of their delegated authority and responsibilities towards the delivery of the department's strategic objectives. The GAPs also explore how directors have safeguarded the department's assets by ensuring regularity and propriety of expenditure and promotion of best value for money of that expenditure. The GAPs are not designed to scrutinise the department's policies.

12 This publication lays out the policy for corporate governance in central government departments and can be found here: https://www.gov.uk/government/publications/corporate-governance-code-for-central-government-departments-2017

GAPs are challenge panels and are led by the Chair of the ARAC with NEDs, the department's internal auditors, the Chief Risk Officer and a director from a different group. The panels are also attended by observers from the NAO.

The four director generals and their directors presented evidence to the independent GAPs and summarised challenges they faced during the year. These panels were held in February 2020, prior to the department's pivot to respond to the COVID-19 pandemic, which altered its risk landscape and activities.

Overall, the panel drew assurance from the department's ongoing efforts to improve governance arrangements and embed internal controls across its activities and operations over the year. However, they noted that the department needs to continually refine and improve its risk management framework. The panel also acknowledged that the department was developing appropriate plans to address the strategic areas that were identified for strengthening through the governance assurance exercise including:

- Ensuring the department has the right skills and capabilities in the right places to deliver the department's priorities.
- Clear articulation of the organisational culture the department wants to embed and taking steps to implement and measure it.
- Enhancing the effectiveness of the Investment Sub-Committee (ISC) to support the department in the scrutiny of its investments.
- Effective oversight of the ongoing Homes England transformation programme, ensuring a clear accountability framework, clear and measured success indicators, effective risk and dependency management.
- Addressing the digital needs of the department through a coherent digital strategy that enables simplified effective processes and reduces error risks.
- Ensuring an appropriate response to the unfolding risks relating to building safety while the department works through the transition to the new buildings' regulator.
- Implementing appropriate joined-up governance arrangements to support the department's priorities thereby increasing the effectiveness of delivery, risk assessments and sharing of intelligence.
- Planning for and ensuring the evaluation of outcomes from the department's funding schemes and programmes.
- Defining the risk appetite to guide the department's interventions in local government alongside responsibilities and mechanisms for the interventions.
- Effective preparation for the end of the Brexit transition period.

Ministerial Directions

There were two ministerial directions during 2019-20 and a related ministerial direction in 2020-21.

On 8 May 2019, the Secretary of State gave a ministerial direction to implement the Private Sector Remediation Fund for Aluminium Composite Material (ACM) cladding on multi buildings. This was also reported in the 2018-19 Governance Statement.

In March, the Chancellor announced that all businesses eligible for Small Business Rates Relief and Rural Rates Relief would receive a grant to help with the impact of COVID-19. A second fund was announced to support businesses in the retail, hospitality and leisure sector. The government planned to make grant payments in April but local authorities told the department that they could make some of the payments more quickly if given the cash to do so, given that many businesses were facing cash flow issues as a result of the spread of COVID-19. More broadly, local authorities were experiencing a combination of lower than expected income and higher expenditure. A precautionary cash injection would minimise risk and give the sector confidence.

On 23 March 2020, the Secretary of State gave a ministerial direction to authorise the early release of two grants to local authorities including £1.6 billion from the Emergency Response Fund and a further £1.8 billion brought forward from 2020-21 Business Rates Relief grants. This provided total cashflow of £3.4 billion to support business and the wider economy and mitigate any potential financial risk in local government. Options for providing this funding were discussed with HM Treasury in advance but it was concluded that it was too late in the year to obtain Parliamentary approval for the spending, hence a ministerial direction was sought as to whether to proceed. The lack of Parliamentary approval meant there was no budget cover for these grants which led to control total breaches, including £3.4 billion in Local Government RDEL (page 77) and £2.9 billion in the net cash requirement (page 78). As a result, the Comptroller and Auditor General has qualified his regularity opinion (page 95). An excess vote will be sought in 2020-21 to gain retrospective Parliamentary approval for these grants.

On 26 May 2020, the Secretary of State gave a further ministerial direction to remove financial barriers to increase the pace of remediation of unsafe non-ACM cladding on high rise residential buildings that are 18 metres and over.

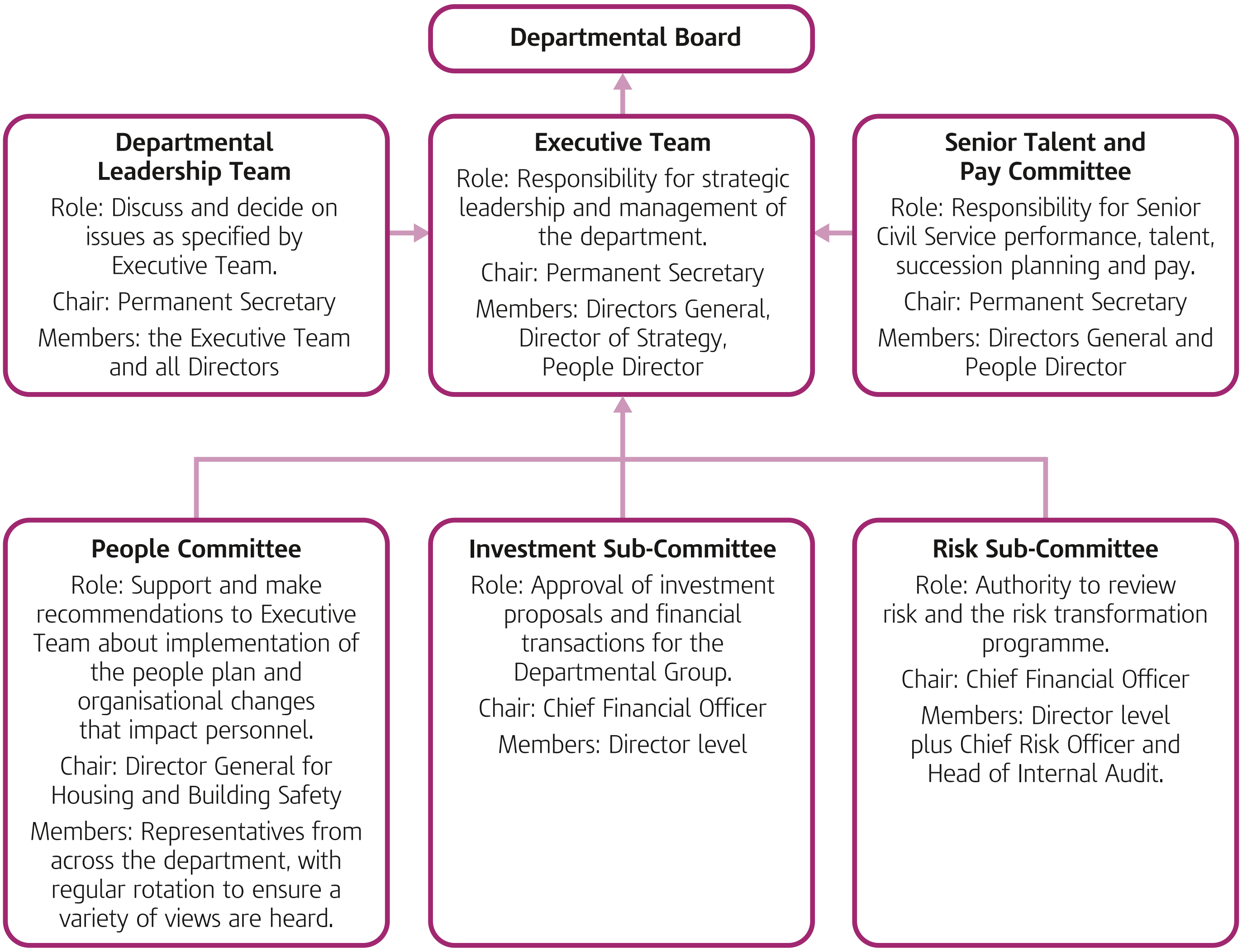
All three ministerial directions were communicated to the National Audit Office (NAO), the Housing, Communities and Local Government Select Committee, HM Treasury and the Public Accounts Committee. The correspondence between the Accounting Officer and the Secretary of State is available online.[13]

13 https://www.gov.uk/government/publications/remediation-of-private-sector-residential-buildings-with-unsafe-acm-cladding-ministerial-direction and https://www.gov.uk/government/publications/coronavirus-covid-19-ministerial-direction-for-early-payment-of-grants and https://www.gov.uk/government/publications/remediation-of-buildings-which-have-unsafe-non-acm-cladding-systems-ministerial-direction

The Executive and its Sub-Committees

The executive committee structure is set out in figure 12.

Figure 12: Executive Committees



Executive Team

The Executive Team is chaired by the Permanent Secretary and comprises the Directors General, the Director of Strategy and the Director of People, Capability and Change. The Finance Director also became an interim member of the Executive Team and Board from 14 December 2019, to support the interim Director General Chief Financial Officer. The Executive Team meets every week (more frequently during the COVID-19 emergency response), including one week in each month when all Directors join the Executive Team as the Departmental Leadership Team. The Executive Team also meets monthly as the Senior Talent and Pay Committee (STPC) to consider senior civil service resourcing, talent and pay.

The Executive Team considers corporate and policy issues, focusing on the performance, management and coordination of the department and on strategic planning. Discussions in 2019-20 included the COVID-19 emergency response, preparations for Brexit and the General Election, Grenfell and building safety, the People Plan and the diversity and inclusion strategy. Each month the Executive Team reviews a detailed written Departmental Performance Report, considering progress against the annual Single Departmental Plan milestones, finance, workforce and risk. Annually it reviews progress of the internal audit programme and approves the audit programme for the year ahead. The Executive Team also receives reports from its subcommittees.

People Committee

This committee is chaired by a Director General, which this year was the Director General for Housing and Building Safety. It comprises representatives from across the department, who are rotated on a regular basis and meets monthly to review a written report from the People, Capability & Change (PCC) Programme Board, overseeing the development and delivery of the People Plan. It also oversees and contributes to the people elements of other corporate programmes to ensure a coordinated and joined up approach.

Investment Sub-Committee (ISC)

The ISC is chaired by the Chief Financial Officer and comprises a fixed membership of directors from across the professions and additional independent members. It meets twice a month or as needed to scrutinise and approve investment proposals for the Departmental Group to ensure they achieve value for money and meet the requirements of Managing Public Money. ISC does this by reviewing the associated business cases, taking into account deliverability, affordability, value for money, risk management, transparency of procurement and how programmes will evaluate progress during their lifecycle.

Risk Sub-Committee

The Risk Sub-Committee is chaired by the Chief Financial Officer and comprises a director from each of the director general groups, the Chief Risk Officer, Directors of Finance and Legal and the Head of Internal Audit. It has delegated authority to review risk and to oversee the implementation of the new risk framework. It receives a report on the department's risk profile and its key risks, including any significant new transactions and activities and an update on the performance of the department's risk management controls and risk management processes.

Locally Devolved Budgets

This department is responsible for the local government accountability framework for local authorities and for the award of the Local Growth Fund to LEPs. This section sets out the controls that provide the assurance that devolved budgets meet the requirements of Managing Public Money.

Local Government Accountability Framework

Regular assurance advice is provided to me as Accounting Officer on whether the core accountability framework for local authorities has remained robust. This takes account of published reports on local audit and accounts, governance and fraud, which cover regularity, propriety and achieving value for money locally. It also includes research from the sector; work the department has produced; and specific advice on whether the framework may need amending.

The former Secretary of State for Communities, James Brokenshire, wrote to the Housing, Communities and Local Government (HCLG) Select Committee and to the Local Government Association, in March 2019, setting out our aim to enhance our oversight of the accountability and assurance system for local government. Our plan for improving oversight covers both: (a) the operation of the system as a whole, and to enhance it; and (b) understanding the individual local authorities which comprise the sector and enhancing the support available to them.

In delivering on the first of these elements, we have convened our partners with responsibility for individual components of the system, in the Local Authority Governance and Accountability Framework Review Panel. The Panel, set up in September 2019, is chaired by the department and its membership includes the National Audit Office, Local Government and Social Care Ombudsman, Local Government Association, Society of Local Authority Chief Executives, Centre for Public Scrutiny, Chartered Institute of Public Finance and Accountancy, Lawyers in Local Government and the Association of Local Authority Treasurers. This body is the principal mechanism for gathering the views of key organisations with a focus on the local government sector, about the health of the local government accountability framework. The Panel will help the department identify areas where corrective action is required and continually assess the framework to ensure it is still fit for purpose. The Panel has been created as an ongoing, rather than a time-limited body.

In respect of the second element, regarding individual authorities, the department is increasing its resources to engage directly with more individual local authorities, to understand better the challenges that local authorities are facing. We are also increasing our engagement with the sector more widely, to better understand what is needed to support improvement in individual local authorities. The department has developed closer working arrangements with our partners in other government departments and will use these relationships to share the knowledge we gain from our increased engagement to build a richer, shared picture of the issues facing individual authorities across the range of their responsibilities. This information informs shared approaches to addressing any challenges. The department has also included a new requirement in the memorandum of understanding on sector support for improvement with the Local Government Association in 2019-20 that 25% of the grant we provide for improvement support should be spent through external suppliers. This is intended to make the best use of existing specialist expertise and to grow the market for the future.

As a final step, the department commissioned an independent review of the localised audit regime in the Local Audit and Accountability Act 2014 which began in the Summer of 2019 and reported in Autumn 2020, following a temporary pause due to the COVID-19 pandemic. The review looked broadly at how transparent local authorities are at communicating financial outcomes with local service users and taxpayers, the effectiveness of the local audit regime, including audit scope, quality and regulation and the governance arrangements in place within local authorities to respond to audit findings and recommendations. As a result of delays to the closure of local authority accounts in 2018-19 and the knock on impact of COVID-19 on the 2019-20 accounts, in April 2020, the department amended the Accounts and Audit Regulations 2015 to extend for one year the draft and final audit publication dates from 31 May and 31 July to 31 August and 30 November respectively. This is to provide audit firms and councils with additional time to catch up on their accounting responsibilities, given other pressing priorities.

The department has an on-going statutory intervention at Northamptonshire County Council where Commissioners appointed by the Secretary of State in May 2018 continue to oversee strategic finance and governance to improve the Council. They submit regular reports on progress to the Secretary of State: the most recent was submitted in March 2020 with publication on 26 March alongside the Ministerial response. The non-statutory intervention in the Royal Borough of Kensington and Chelsea concluded on 26 March 2020, with the publication of the independent Grenfell Recovery Taskforce's fifth report. The Taskforce supported and advised the Council on its recovery effort. The Independent Improvement Panel supporting Birmingham City Council stepped down on 30 March 2019. In response to the Panel's recommendations and with the endorsement of the Secretary of State, Birmingham City Council have put in place their New Model of Progressive Assurance incorporating a group of 5 non-executive advisers to support and challenge them on their improvement journey. Their reports, accompanied by commentary from the non-executive advisers, point to steady progress.

The department made necessary adjustments to the accountability framework during the COVID-19 pandemic to help local authorities redeploy resources to deal with the pandemic and ensure that essential business continues whilst protecting the health and safety of their members, officers and the public. This included giving local authorities the flexibility to conduct meetings remotely and allowing access to members of the public; and work within the department to assess and respond to the scale of financial risk that COVID-19 poses to local authorities both at the sector level and at individual local authority level. So far, we have provided local government with £3.2 billion in COVID-19 related funding. We have also encouraged individual local authorities to contact the department at the earliest possible stage where their finances are such that a section 114 notice could potentially be issued due to costs resulting from the COVID-19 pandemic.

There have also been regular and significant engagement between Ministers, regional mayors and council leaders throughout the COVID-19 crisis to respond to the emergency. This included calls between the Secretary of State and Ministers, and regional mayors; as well as weekly teleconferences hosted by the Secretary of State for all local government leaders and chief executives, with other Ministers present to answer questions.

Hudson Review and Data Issues

The department continues to implement the recommendations of the 2018 Hudson Review of local government finance, governance and processes, and over the past year we have further developed our governance and reporting, quality assurance and risk management processes. The Government Internal Audit Agency (GIAA) carried out an audit to provide independent assurance as part of the 2019-20 audit plan. The audit confirmed that the Local Government Finance team had made good progress in responding to the recommendations made in the 2018 Hudson Review. Minor process improvements were also recommended.

A comprehensive governance system is now in place to oversee all projects and workstreams, and the programme board is the focal point for decision making, risk management and escalation. A senior responsible owner (SRO) is in place for all high-level projects overseen by the director, who has been in post since the review and is supported by a dedicated project management office (PMO). The department is aware of the risk of adding to the complexity of the system and this is acknowledged in policy development and advice to ministers.

Quality control measures have continued to be strengthened and quality assurance has been built into our processes, particularly in our analytical work but also with greater peer challenge and an errors and escalation protocol. Stronger management of capacity and capability is also in place, with efforts to recruit those with technical expertise into the directorate and improved learning and development.

The operation of the local government finance system continues to be highly complicated in its nature and we are not complacent about the risks involved, which the Hudson Review highlighted. We continue to keep our progress under review with regular stocktakes against Hudson recommendations and as such will be submitting an update on our progress to the Permanent Secretary in the coming months.

As mentioned in last year's governance statement, we have, exceptionally, made special payments to four local authorities on a goodwill basis, following failure by officials to update the NNDR1 guidance for 2019-20 business rates pilots to correct for a previous error. Letters informing authorities whether they were successful in qualifying for these exceptional payments were sent on 3 March 2020. The Permanent Secretary wrote to the National Audit Office, the Public Accounts Committee and the Housing, Communities and Local Government Select Committee on 31 May 2019 alerting them to the error. She wrote again on 28 February 2020 informing them of the payments to be made. In the event, 21 authorities sought special payments totalling £7.9 million. Of these only 14 could demonstrate that they had relied on the erroneous guidance in setting budgets. Of the others, we judged that in only four would the consequence of the error be difficult to manage without additional funding; and, therefore, we made special payments to those authorities totalling £2.26 million.

An error in the NNDR1 form datasheets 2020-21 was discovered in February 2020 as analysts completed checks on payment notifications. The form enables local authorities to estimate their business rates income for the year ahead and includes estimates of the compensation due to councils for changes to the business rates system. No incorrect payments have been made to authorities, but 24 authorities were affected and may have overestimated the grant due to them by a total of £814,000. As a result, councils may have overestimated the amount of money they were going to receive which may have affected their financial planning, however this is small, at 0.3% of Core Spending Power or below for all authorities affected and for 15, less than 0.1% of Core Spending Power. All affected councils have been made aware of the error, and all authorities received correct payment reports in the first week of March as planned. The department is undertaking an internal review to assess what went wrong and reduce the risk of similar errors in future.

Local Enterprise Partnerships (LEPs) and the Local Growth Fund

Growth deals provide funds to LEPs for projects that benefit the local area and economy. The National Local Growth Assurance Framework (2019)[14] guides local decision-making to support accountability, transparency and value for money. Substantial work was undertaken during 2018-19 to enable the new framework, the National Local Growth Assurance Framework to be introduced from April 2019. This incorporates recommendations from the non-executive director review

14 The National Local Growth Assurance Framework (2019) https://www.gov.uk/government/publications/national-local-growth-assurance-framework

of LEP governance and transparency (October 2017)[15] conducted by Dame Mary Ney, one of the department's NEDs. It also addresses a number of the recommendations included in the Ministerial Review into LEPs, Strengthened Local Enterprise Partnerships (July 2018)[16] and in NAO and PAC reports. The purpose of this assurance system is to ensure funds are spent locally with regularity, propriety and value for money, with oversight of what is being delivered, and is based on:

- an annual assurance statement provided by the Section 151 Officer of the LEP's Accountable Body to the Accounting Officer;
- an annual assurance statement from the LEP Chair and chief executive which is published on the LEP website;
- regular reporting against agreed output metrics;
- an evaluation framework;
- mid-year and annual performance reviews with each LEP;
- compliance spot checks on LEP websites; and
- deep dives to review LEP governance, accountability and transparency.

For Mayoral Combined Authorities and LEPs who have agreed to combine funding into a 'Single Pot', the National Local Growth Assurance Framework supersedes the guidance given in the *Single Pot Assurance Framework* (2016).

The 2019-20 LEP annual assurance process (as set out above) introduced two new elements to further strengthen our assurance throughout the year; annual delivery plans which every LEP was required to publish on their website and a mid-year review to provide a forum for government to highlight concerns with senior LEP officials. The process concluded in April 2020 with no findings of non-compliance. All annual assurance statements were provided and no governance issues identified. In consideration of delivery of programmes and strategic impact, the department has put in place action and improvement plans where the LEP received a rating of Requires Improvement or Inadequate/Requirements not met.

Managing risks to our objectives, people and systems

This section outlines our risk management framework and describes the risk environment in which we operate.

Our risk management framework

The department's risk management framework is designed to support effective decision making, to protect the department's reputation, to mitigate against financial loss and to minimise disruption to the delivery of its programmes. This framework was significantly revised in 2018-19 and has been used during 2019-20 and there is continual work to embed and improve its application. In 2020 an audit report found good practice in terms of a comprehensive risk management framework, with supporting tools having been developed and approved and noted that the new Risk Sub-Committee was operating effectively. Amongst its findings included a recommendation that key departmental risks should be recorded in the risk register as being owned by individual accountable Executive Team members, and that the process for escalation and de-escalation of risks between the strategic and other level risk registers should be clarified. Work has been undertaken since the report and the new framework is being further developed to reflect risk escalation. The departmental principal risk register now has each risk assigned to an Executive Team member, with ongoing articulation and mitigation improvements being supported by the central risk team. The framework segments the department's risk into three areas - Strategic, Financial and Operational, as shown below.

15 LEP governance and transparency (October 2017) report https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/655188/Review_of_local_enterprise_partnership_governance_and_transparency.pdf
16 Strengthened Local Enterprise Partnerships (July 2018) https://www.gov.uk/government/publications/strengthened-local-enterprise-partnerships

Figure 13: MHCLG's risk management framework

Area	1. Strategic Risk		2. Financial Risk		3. Operational Risk	
Examples	Programme design and delivery	Reputation and external Stakeholders	Non-recovery of loans	Write-down of assets or liabilities	Personal Misconduct	Regulatory Compliance
	External Events	Capability, capacity and resources	CDEL Impact	AME Impact	Fraud	Data, Personal, Physical Security
Managed by	Executive Team, Senior Leaders		Financial Programme/ Instrument Managers		All of our people	
Risk appetite	Significant but impossible to quantify		Significant but quantified, agreed and limited		Zero to minimal, insofar as feasible and cost-effective	

Our risk environment

MHCLG operates in a complex risk environment and faces a number of internal and external threats and challenges. The three sections which follow summarise the most important of these risks under the three broad headings of principal, financial and operational risk.

Principal risks

Principal risks include strategic, financial and operational risks. The department's role has changed in recent years, becoming increasingly accountable for real-world housing delivery at scale as well as the formulation of policy. This relies on specialist technical and market knowledge which has historically been difficult to recruit and retain. However, the department is continuing to invest to ensure we have the right capability to deliver our goals.

In the near term, the department faces systemic pressures such as those on local government finance sustainability. The department continues to be significantly exposed to wider economic risks that may materialise through the economic cycle or following an external shock. There is a risk of concurrency associated with these, which include the end of the EU transition period and the changing risk landscape as a result of the COVID-19 pandemic. The principal risks can be cross cutting, or specific to one area of the department's business but of great significance. These have been reviewed and are owned by members of the department's Executive Team who are responsible for putting in place and managing appropriate mitigating actions. The department recognises that in delivering its objectives it needs to be open to a number of principal risks.

Furthermore, the complexity of our mission, which includes building safety, leasehold reform, local government finance sustainability, planning, homelessness, and faith and integration in addition to the delivery responsibilities outlined above, is amplified by the complexity of the systems in which we operate and by the need to balance different central government and local government objectives.

In the medium-longer term, the ongoing uncertainties associated with COVID-19, alongside other considerable challenges such as climate change and the need for carbon reduction have the potential to transform the nation's housing needs entirely with attendant implications for planning, housing finance and the construction industry.

Financial risks

Some of the department's housing programmes are underpinned by the use of financial instruments such as loans, equity investments and financial guarantees which expose the department to credit and valuation risk. The portfolio continues to grow but remains relatively immature: it has not yet been through a market cycle; it is concentrated in a single sector that is susceptible to economic shocks, and its investments are typically outside the appetite of other market investors and lenders. The current economic uncertainty has amplified these risks and increased the susceptibility for financial loss.

During the year, the department has continued to develop its capability for managing financial risk, reviewing the tools used to identify and measure the risks associated with the portfolio of financial instrument based programmes and reviewing its risk profile and appetite, which remains significant but is quantifiable. Many of the financial risks that the department has exposure to sit with Homes England, and the department continues to work in partnership with Homes England to manage these risks. The department has enhanced its monitoring of financial risk in the portfolio following the increase in economic uncertainty resulting from the COVID-19 pandemic. The department prepared contingency plans to manage financial distress in its portfolio and will continue closely monitoring its financial risk during the next financial year, as the consequences of COVID-19 continue to materialise.

An annual stress testing exercise has been in place since 2015 to help the department measure and manage the risk of loss associated with a stress event, based on Bank of England cyclical stress test scenarios. The outcomes of the stress tests continue to be used for contingency planning and policy development with particular regard to economic risks related to the consequences of COVID-19, Britain's exit from the EU and the current slow-down in global economies which affected the UK economy and housing sector.

Operational risks

The department is also exposed to a range of operational risks for which our appetite is minimal to zero. These risks are intrinsic to the department's operations but, unlike financial and strategic risks, they do not support MHCLG's objectives.

However, these are intrinsically connected to our core functions and therefore difficult to eradicate entirely. Among them are fraud; the loss of damaging valuable or reputationally-sensitive data; payment errors; staff misconduct, and threats to the physical safety and security of our staff, premises and systems.

As such, rather than seeking to quantify and limit these risks, we seek to drive them out by proceduralisation, standardisation, and discipline: our risk appetite is somewhere between zero and minimal, as far as is feasible and cost-effective. The end of the EU transition period is impacting on a number of the department's operations, including its EU programmes, which alongside the impact of COVID-19 have increased the department's operational risk profile. The department continues to deliver operational, on-the-ground support and policy, including building remediation and ongoing commitments to the Grenfell community.

Everyone in MHCLG is responsible for managing these risks, whether as senior leaders, role-modelling adherence to procedure, or as policy/procedure owners, constructing and publicising their standards, or as individual employees, informing themselves about MHCLG standards and then maintaining them.

Counter Fraud, Error and Whistleblowing

A new Counter Fraud Strategic Plan was developed to underpin the current counter fraud policy and response plan and was approved by the department's Risk Sub Committee in November 2019.

The plan sets out how MHCLG intends to develop its arrangements to counter fraud, corruption and bribery over the next two to five years and is committed to preventing fraud and the promotion of a strong counter-fraud culture.

There are increased threats to public sector resources due to the significant challenges presented by COVID-19, the reprioritisation of work and the department's response to the ongoing crisis. The COVID-19 Counter Fraud Strategy, Policy and Response Plan outlines the approach for the prevention, detection, reporting and handling of fraud.

The department collaborates closely with the Cabinet Office to ensure ongoing compliance around cross-Government Functional Standards, with four standards being partially met and the remainder fully achieved. The department continues to make use of available tools, including the use of the assurance tool Spotlight for pre-award grants management assurance and post-event fraud testing.

MHCLG has promoted a strong counter-fraud culture. During Fraud Awareness Week 2019 we undertook activities to raise awareness of counter fraud, investigatory services and reporting systems. A number of channels have been introduced to support staff reporting instances of potential fraud including an online risk and issues system which is available to all staff.

The department has nominated officers who are available to support people with whistleblowing queries and a director who acts as our 'Whistleblowing champion'. Since reviewing its procedures in response to Dame Sue Owen's cross government review of culture and procedures around sexual misconduct and harassment, the department has broadened the ways that people can report wrong doing. This includes the use of a confidential helpline through our Employee Assistance Programme and introducing an "In Confidence" mailbox. In 2019, the department ran a speak up campaign to raise awareness and encourage people to come forward and speak up where they have concerns. We have plans to further update our policy and will continue to raise awareness of the policy and procedure.

The department received 0 whistleblowing cases in 2019-20 and there was 0 whistleblowing cases in the arm's length bodies.

Information Security

Procedures and processes are in place to protect information and data and ensure it is only used for the purposes for which it was collected. The department, including executive agencies and ALBs, manages a range of data relating to staff and citizens, most of which is used to support policy analysis and review and does not allow the identification of individuals.

In 2019-20 there were 11 data breaches for MHCLG and its ALBs that met the threshold for reporting to the Information Commissioner's Office (ICO) and in all those cases the ICO determined that no further action was required. Further details can be found in the Accountability Report (page 36). In light of the data breaches, the Planning Inspectorate has taken measures to enhance its data protection function.

The Digital Directorate has been raising awareness of cyber security, providing advice and guidance to staff about how to stay secure online in both a personal and professional context. ARAC reviews cyber security at their meetings using the NAO guidance as a framework, augmented by specific concerns for the department. A Government Internal Audit cyber security review was completed in 2019-20 and concluded that risk management in respect of cyber risk remains relatively immature. An action plan is in place to address the specific findings.

Business Appointment Rules

The Business Appointment Rules (BAR) is part of the Civil Service Management Code and regulates the movement of civil servants and ministers into other business sectors. Civil servants must consider if the BAR requires them to seek departmental permission before applying for or accepting a job outside of the service. Most moves do not require an application, but some will and in some cases, approval is subject to conditions. The aim of the BAR is to avoid any reasonable concerns that:

- a civil servant might be influenced in carrying out his or her official duties by the hope or expectation of future employment with a particular firm or organisation, or in a specific sector; or
- on leaving the civil service, a former civil servant might improperly exploit privileged access to contacts in government or sensitive information; or

- a particular firm or organisation might gain an improper advantage by employing someone who, in the course of their official duties, has had access to information relating to unannounced or proposed developments in government policy, knowledge of which may affect the prospective employer or any competitors; or commercially valuable or sensitive information about any competitors.

In the 2019-20 year, MHCLG received BAR applications from five individuals, and all five were approved. Details of any applications and the outcome are published on the MHCLG website[17] for staff at SCS Pay Band 1 and 2 level and Special Advisers of equivalent level, and on the ACOBA website[18] for SCS Pay Band 3 or above and Ministers. BAR applications are reported to the Audit and Risk Assurance Committee.

Internal Audit Opinion

A key source of independent assurance for MHCLG is the internal audit function provided by the Government Internal Audit Agency (GIAA), which complies with the Public Sector Internal Audit Standards[19]. The annual internal audit programme is closely linked to the key risks of the department, its executive agency and other ALBs. Arrangements are in place to ensure that the Accounting Officer is made aware of any significant issues which indicate that key risks are not being effectively managed.

The Group Chief Internal Auditor's (GCIA) opinion on governance, risk management and control for the year was assessed as Moderate. The opinion takes into consideration the context in which the department had to operate over the year with separate reprioritisation exercises to respond to the UK's exit from the EU and to the COVID-19 pandemic. It also acknowledges the department's strengths in policy development and delivery, programme delivery and funding. The GCIA evidenced that the Chief Finance Officer group has continued to build on foundations established since its inception, but there were areas that required further work for improving governance, risk management, and internal control, including:

- Implementing the department's risk management framework throughout the organisation, so that the benefits of commonality and transparency of risk identification and management from projects and programmes, through portfolios, and onto the strategic risk register, can be realised;
- ensuring that the application of the department's cyber security framework complies with the mandatory Cabinet Office standards, including defining roles & responsibilities, reporting lines, and implementing effective second line assurance;
- Implementing a contract management framework, with governance and control mechanisms to ensure ownership and management of all contracts;
- Continuing to build on enhancements to business continuity started during the COVID-19 response to ensure appropriate governance and controls are in place, including on backup and recovery of processes; and
- Improving HR core controls over the leavers process.

External Scrutiny:

The department's work was the subject of five NAO reports and four Public Accounts Committee (PAC) reports in 2019-20, all of which are summarised below.

NAO Reports

- **Investigation into the government's land disposal strategy and programmes:** This investigation outlined the government's strategy and objectives for managing land disposals and the progress of several key disposal programmes. It focussed on the two strands of this strategy - the Cabinet Office's proceeds target and MHCLG's land

17 https://www.gov.uk/government/publications/dclg-business-appointment-rules-advice
18 https://www.gov.uk/government/organisations/advisory-committee-on-business-appointments
19 https://www.gov.uk/government/publications/public-sector-internal-audit-standards

for new homes target. MHCLG expects departments to have released enough land for around 65,000 homes by 2020 against a target of at least 160,000. MHCLG has identified several challenges to delivering the target though it expects to meet the proceeds target of £5 billion.

- **Local Enterprise Partnerships: an update on progress:** This report followed on from a previous NAO report on Local Enterprise Partnerships which set out recommendations focused on value-for-money issues and the Public Accounts Committee's recommendations on governance and transparency issues. It also provided an update on progress MHCLG had made on implementing the recommendations set out in Mary Ney's Review of Local Enterprise Partnership governance and transparency. The report showed that the assurance framework is stronger, but it is not yet proven whether these measures will be effective in detecting and responding to governance failures. The report also commented that MHCLG had no robust plans to evaluate the value for money of the Local Growth Fund which means it cannot learn lessons of what works locally for future interventions in local growth.
- **Help to Buy: Equity Loan scheme – progress review:** This report assessed how the scheme has performed against its objectives, how effectively MHCLG and Homes England have managed the Help to Buy: Equity Loan scheme to date, and how they are planning the future of the scheme and its end. The department's independent evaluations have shown that Help to Buy has increased home ownership and housing supply. However, when the market turns down the taxpayer could lose out significantly. The scheme also has an opportunity cost and its broad participation criteria have allowed some people who did not need financial help to benefit from the scheme.
- **Investigation into Starter Homes:** This study set out the status of the Starter Homes policy and legislation, and the impact of the government's investment into this policy. No Starter Homes have been built to date; the Starter Homes legislative provisions are not in force and the department no longer has a budget dedicated to the delivery of Starter Homes. The department has spent around £250m acquiring and remediating brownfield land to support the provision of new homes.
- **Local Authority commercial investments:** MHCLG has overall policy responsibility for the prudential framework which is made up of powers and duties created by legislation and a set of statutory codes and guidance to which local authorities must have regard. This study investigated how MHCLG mitigates the financial risks to local authorities spending on commercial investments within the context of the prudential framework. The report showed that the scale of investment in this activity in the last three years, the concentration of this activity in a relatively small group of authorities, and the use of borrowing is striking. To protect against risks to value for money, the department should ensure that authorities' actions are in line with the principles underlying the framework. To support this, it should strengthen framework oversight and develop methods for more timely, flexible and targeted intervention when required.
- **Investigation into remediating dangerous cladding on high rise building:** Following the Grenfell Tower disaster, MHCLG established the Building Safety Programme. This investigation examined how MHCLG is assuring itself that all the buildings which fall within scope of the programme have been correctly identified and are being fully remediated, and the pace of the remediation. It also explores how MHCLG decided which buildings qualify for remediation funding. The investigation found that as at April 2020, 149 of the total 456 buildings, 18 metres and over with unsafe aluminium composite material (ACM) cladding, have been fully remediated. The pace of remediation has been faster in the student accommodation and social housing sectors, but slower in the private residential sector. Early signs are that the effects of COVID-19, and public health measures taken to limit its impact, have slowed down the recent pace of remediating unsafe buildings. The department had identified the majority of high-rise buildings with unsafe ACM cladding by summer 2018, although more buildings continue to be identified. The department estimates there to be around 85,000 buildings between 11 and 18 metres but does not yet know how many of these have cladding systems, or what proportion of these might be unsafe ACM cladding. As at April 2020, the department expects to pay for 94 projects (out of 208) in the private sector, where the developer or building owner has not agreed to fund remediation works themselves. The department currently estimates that all buildings within scope of its funding schemes will be remediated by mid-2022, with more than 95% completed by the end of 2021.

- **Readying the NHS and adult social care in England for COVID-19:** Following the NAO's Overview of the UK government's response to the COVID-19 pandemic, this report further scrutinizes the government's response to the COVID-19 pandemic focussing on previous action plans set out for the NHS and adult social care as well as the actions taken at a national level by those responsible for coordinating health, adult social care and local government in England. The report sets out the facts of the NAO's findings mostly relating to the Department for Health and Social Care (DHSC) including findings on NHS bed capacity, demand for respiratory support, personal protective equipment supply, care providers and NHS workforce capacity. By the end of April 2020, government had allocated £6.6 billion to support the health and social care response to COVID-19 and £3.2 billion to local government to respond to COVID-19 pressures across local services. Local authorities that provide adult social care received 91% of the £3.2 billion funding, which was not ringfenced. The NAO reports that much about the allocation of funding and spend to date was still unclear or had not been finalised at the time of the report.

The studies can be viewed on the NAO website: https://www.nao.org.uk/

PAC evidence sessions

The Public Accounts Committee held evidence sessions on the following subjects:

- Planning and the broken housing market (29 April 2019)
- Local Enterprise Partnerships: progress review (13 May 2019)
- Sale of Public Land - Cabinet Office and MHCLG (12 June 2019)
- Help to Buy: Equity Loan Scheme - progress review (26 June 2019)
- The Remediation of Dangerous Cladding (6 July 2020)

Details of the PAC reports are on the PAC website. The PAC makes recommendations which the department responds to in Treasury Minutes. These can be found at https://www.gov.uk/government/collections/treasury-minutes.

HCLG Select Committee evidence

In March 2020, the department provided written responses to questions from the HCLG Select Committee covering the 2019-20 Supplementary Estimates and the 2018-19 Annual Report and Accounts.

The Role of the Senior Sponsors and Boards of the ALBs

The department currently has one executive agency and twelve other arm's length bodies (ALBs), which are listed in Note 24. Each maintains its own governance structures and processes, appropriate to their business and scale, and each body has its own Accounting Officer with delegated authority from the Principal Accounting Officer to oversee the operation and delivery of the ALB's objectives.

The ALB control and assurance framework strikes a balance between the level of delegation and autonomy afforded to the bodies, and the need for a robust system of internal controls that provides sufficient assurance to the Principal Accounting Officer in fulfilling their duties. We have embedded the Cabinet Office's 'Senior Sponsor' partnership model[20], with senior officials within the department providing oversight of the performance and the direction of the ALBs. Additional specialist central support on matters relating to governance and the appointment of non-executive members of ALB Boards is provided by the Finance and People, Capability and Change directorates.

20 Partnership between departments and arm's-length bodies https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/594345/Partnerships_between_departments_and_arm_s_length_bodies-code_of_good_practice.pdf

For each ALB a framework agreement is in place, which sets out the parameters within which ALBs are expected to operate, the relationship between the department and the ALB, and the way it is expected that the department (in its capacity as sponsor for the ALBs) and the ALBs themselves interact with each other.

ALB boards are responsible for ensuring that effective arrangements are in place to provide assurance to the Board and department on risk management, governance and internal control. In particular, the Homes England board are responsible for producing and overseeing a risk appetite statement and risk management framework in respect of risks relevant to the activities and exposures of Homes England. This includes risks associated with making and divesting investments, the assessment and mitigation of those risks and Homes England's associated structures, controls, processes and procedures. The risk management framework includes agreed escalation processes and sets out ways of working with the department including provision for open communication between the Chief Risk Officers of Homes England and the department to discuss and share information on risk matters.

Further assurance is planned through:

- an annual risk-based impact assessment to ensure the level of sponsorship and Accounting Officer engagement is proportionate to each organisation and aligned with departmental priorities;
- an annual meeting for Audit and Risk Assurance Committee chairs, where concerns affecting the Departmental Group are considered;
- key performance indicators for each ALB to enable effective performance assessments; and
- a consistent approach to ALB Board effectiveness which was developed and undertaken for Homes England and the QEII Conference Centre, with annual appraisal reviews, including for chairs. A similar approach is to be developed and considered for other ALBs, during the next Tailored Review Programme in 2020-25.

Entities within the Departmental Boundary

The department has one Executive Agency and 12 designated bodies. All bodies apart from Ebbsfleet Development Corporation, the Queen Elizabeth II Conference Centre and the Architects Registration Board are consolidated into the departmental accounts.

Executive Agency	• **Planning Inspectorate**
Advisory Non Departmental Public Body (NDPB)	• **Building Regulations Advisory Committee**
Tribunal	• **Valuation Tribunal for England**
Executive Non Departmental Public Bodies (NDPBs)	• **Homes England** • **Leasehold Advisory Service** • **Regulator of Social Housing** • **The Housing Ombudsman** • **Valuation Tribunal Service** • **Ebbsfleet Development Corporation** (see note below) • **The UK Holocaust Memorial Ltd** (see note below)
Other Body (not Classed as NDPB)	• **Local Government and Social Care Ombudsman**
Executive Agency/Trading Fund	• **Queen Elizabeth II Conference Centre**
Public Corporation	• **Architects Registration Board**

In the Office for National Statistics Public Sector Classification Guide, which was published in July 2019, Ebbsfleet Development Corporation was reclassified to the local government sector, effective from 20 April 2015. Consequently, from an administrative perspective, this body no longer falls within the departmental accounting boundary as an ALB that is technically covered by Cabinet Office ALB controls. However, from a governance perspective, we are continuing to oversee the policy and operation of the Ebbsfleet Development Corporation and it continues to be accountable to MHCLG.

The UK Holocaust Memorial Ltd was incorporated on 12 July 2019 and has remained dormant during the year. In the meantime, the UK Holocaust Memorial project is being delivered from within MHCLG.

Homes England

The largest of our ALBs is Homes England, which is governed by a Board that provides strategic leadership to ensure that Ministerial aims and objectives for the organisation are met. It is currently chaired by existing Board member, Simon Dudley, on an interim basis. Its members are appointed by the Secretary of State. Meeting nine times a year, the Board gains assurance through the monitoring of performance against Key Performance Indicators (KPIs), analysis of written reports such as the Market Overview report and Early Warning Indicator report, and upward reporting from Homes England's other committees. Over the past year, in support of the Agency's wider change programme, the Board has reviewed and updated its terms of reference, delegations and decision making processes as well as general ways of working to ensure the Board and its committee structures operate effectively in support of Homes England's ambitious new mission as set out in its five-year Strategic Plan. The sub-committees of the Board are:

- the Audit and Risk Committee (ARC), which works with the Board on risk control, governance, financial control and statutory reporting and is authorised to investigate any activity within these areas, including additional meetings to provide extra support and attention to the Help to Buy programme;
- the Investment Committee, which scrutinises new project and programme business cases, considers financial guarantees on behalf of MHCLG and monitors performance;
- the Nominations and Governance Committee, which advises on overall pay and rewards, particularly of executive staff; and
- the Safety, Health and Environmental Committee, which provides leadership in development of a positive safety, health and environment culture both internally and as part of the Agency's leadership role in the wider housing and construction industry.

To ensure a strong and effective corporate governance system, with effective arrangements in place to provide assurance to the department on risk management, governance and internal control, the Board is constituted to ensure a majority of non-executive members.

Appointments to the Homes England Board are made by the Secretary of State. Four new members were appointed in July 2019 with a particular focus on strengthening the Board's experience and expertise in relation to commercial and financial services. Reflecting an increased role and responsibilities, Board members' time commitment increased from two days per month in 2018-19 to three days per month in 2019-20. The Board has been chaired on an interim basis by existing Board member, Simon Dudley, since the departure of Homes England's previous Chair, Sir Edward Lister, in August 2019. A recruitment campaign is underway to appoint a new permanent Chair.

Andy Hobart, was the Senior Sponsor for Homes England. Under the Senior Sponsor model, the functions of shareholder and client are separated to reflect their different interests:

- The Corporate Sponsorship Team manages the department's corporate relationship with Homes England; holding the Agency to account for its corporate and governance performance, ensuring assets and liabilities are managed effectively, and providing assurance that Homes England performance is compliant with the department's spending plans, risk systems and overall financial and arm's length body frameworks. The function is performed by the department's Finance and Performance - Housing division within the wider Finance Directorate. Corporate and governance performance is discussed at a quarterly Shareholder Meeting, comprising the Senior Sponsor, Director General for Housing and Building Safety and Finance Director from the department together with the Chair, Chief Executive and other executives from Homes England.

- The Policy Sponsorship Team represents the department's coordinated policy interest in Homes England delivery and their alignment with wider departmental objectives. This function is performed by the department's Housing Strategy Division. Delivery performance is discussed at a monthly client meeting comprising the Deputy Senior Sponsor and policy directors from the department together with the executive directors and senior responsible officers from Homes England.

The department has recently taken a more active role in the oversight of the work of the Homes England Board, and in particular their transformation programme. Since the departure of UKGI Director, Ceri Smith, Andy Hobart has been appointed to the Board as the department's Shareholder Member.

The Senior Sponsor is also the department's shareholder representative member on the Homes England Board.

My Conclusion

I have reviewed the evidence provided through the governance assurance exercise, the Internal Audit opinion, NAO and PAC reports, and I am satisfied that overall the department continued to embed a sound system of internal control during this reporting period, and to improve its governance arrangements. The department also continued to refine and improve its risk management framework during the year.

We successfully delivered significant policies and programmes throughout the year, reprioritising activities to enable an effective response to significant events including preparation for the UK's exit from the EU, the General Election, and the COVID-19 pandemic. We continue to implement the actions from the Hudson review as well as Mary Ney's Review of Local Enterprise Partnership governance and transparency. We continue to strengthen our relationship with Homes England. The department will continue this journey next year by:

- continuing to maintain close scrutiny and appropriate responses to the extraordinary financial and public service demands on the local government sector as it responds to the COVID-19 pandemic.
- continuing to work on cross-government COVID-19 programmes such as shielding, balancing risks as the department moves from response to recovery and renewal;
- taking further steps to improve and embed the department's risk management framework throughout the organisation, reviewing tools used to identify and measure risks;
- aligning the application of the department's cyber security framework to comply with the mandatory Cabinet Office standards;
- ensuring the department has the right culture, skills and capabilities in the right places to deliver the department's priorities;
- enhancing the effectiveness of the Investment Sub-Committee (ISC) to support the department in the scrutiny of its investments;
- ensuring an appropriate response to the unfolding risks relating to building safety while the department works through the transition to new buildings regulator;
- working closely with our key partners in local authorities and our ALBs to manage risk and deliver assurance.

Remuneration and Staff Report

Remuneration Report

The Remuneration Report provides detail on the remuneration and pension interests of the department's board members. The Remuneration Report refers to the core department only. Similar Remuneration Reports are available in the Annual Reports and Accounts of the individual ALBs.

All tables and the pay multiples section of the Remuneration Report have been subject to audit.

Remuneration Policy

The remuneration of senior civil servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries. The Review Body also advises the Prime Minister from time to time on the pay and pensions of Members of Parliament and their allowances, on Peers' allowances, and on the pay, pensions and allowances of Ministers and others whose pay is determined by the Ministerial and Other Salaries Act 1975.

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations. Further information about the work of the Review Body can be found at: www.ome.uk.com

Civil Service Contracts

The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on merit on the basis of fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise.

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commission can be found at: www.civilservicecommission.org.uk

Remuneration (Including Salary) and Pension Entitlements

The following sections provide details of the remuneration and pension interests of the Ministers and most senior management (i.e. Board Members) of the department who have been in post at some point in the current or prior year.

No benefits in kind were received by any minister or official named in the tables below in 2019-20 or 2020-21.

Single total figure of remuneration (subject to audit)

Ministers	Salary £		Full year Equivalent Salary if different £		Pension benefits[1] £ (to nearest £1,000)		Total remuneration £ (to nearest £1,000)	
	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19
The Rt Hon Robert Jenrick MP Appointed 01 August 2019	45,853	-	68,779	-	11,000	-	57,000	-
The Rt Hon Christopher Pincher MP Appointed 01 March 2020	2,640	-	31,169	-	1,000	-	4,000	-
Luke Hall MP Appointed 01 August 2019	15,217	-	22,826	-	4,000	-	19,000	-
Simon Clarke MP Appointed 01 March 2020	3,068	-	36,218	-	1,000	-	4,000	-
Lord (Stephen) Greenhalgh Appointed 18 March 2020[4]	-	-	-	-	-	-	-	-
The Rt Hon James Brokenshire MP Left 24 July 2019	21,231	62,067	67,571	67,505	6,000	15,000	27,000	77,000
Rishi Sunak MP Left 24 July 2019[3]	7,037	22,375	22,397	-	-	6,000	7,000	28,000
Kit Malthouse MP Left 24 July 2019	9,964	22,994	31,711	31,680	3,000	6,000	13,000	29,000
Heather Wheeler MP Left 26 July 2019	7,158	22,375	22,390	-	2,000	5,000	9,000	27,000
Lord Bourne of Aberystwyth Left 26 July 2019[2]	34,336	105,076	107,409	-	6,000	10,000	40,000	115,000
Viscount Younger of Leckie Appointed 27 July 2019 Left 14 February 2020[2]	59,485	-	107,250	-	8,000	-	67,000	-
Jake Berry MP Left 13 February 2020	24,657	22,375	28,290	-	6,000	5,000	31,000	27,000
Esther McVey MP Appointed 24 July 2019 Left 13 February 2020	18,216	-	32,522	-	4,000	-	22,000	-
The Rt Hon Sajid Javid MP Left 29 April 2018	-	5,438	-	67,505	-	(1,000)	-	4,000
Dominic Raab MP[3] Left 9 July 2018	-	8,686	-	31,680	-	-	-	9,000

(1) The value of Parliamentary Contributory Pension Fund (PCPF) pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) less (the contributions made by the individual). The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights. This is a different basis to the way CETV (Cash Equivalent Transfer Value) is calculated in the Ministerial Pension Benefits table.

(2) Figure quoted includes House of Lords Allowance.

(3) Rishi Sunak and Dominic Raab opted out of the pension scheme.

(4) Lord Greenhalgh is an unpaid Ministerial Role so there are no ministerial costs attached to him

Single total figure of remuneration (subject to audit)

Officials	Salary £'000		Full year Equivalent Salary if different £'000		Bonus Payments £'000		Other Benefits £ (to nearest £1,000)		Pension benefits[1] £ (to nearest £1,000)		Total remuneration £ £'000	
	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19
Jeremy Pocklington Permanent Secretary Interim from 01 March 2020, Substantive from 30 March 2020 Previously Director General: Appointed 28 August 2018	135-140	80-85	-	130-135	15-20	10-15	-	-	95,000	54,000	245-250	145-150
Catherine Frances Director General Appointed 01 April 2019	125-130	-	-	-	-	-	-	-	143,000	-	265-270	-
Andy Hobart[2] [Interim] Director General Appointed 14 December 2019	50-55	-	175-180	-	-	-	2,000	-	-	-	55-60	-
Emran Mian Director General Appointed 01 October 2019	60-65	-	125-130	-	-	-	-	-	38,000	-	100-105	-
Lise-Anne Boissiere Director	90-95	90-95	-	-	10-15	0-5	-	-	40,000	40,000	145-150	130-135
Ruth Bailey Director Appointed 4 March 2019	95-100	5-10	-	110-115	5-10	-	-	-	106,000	(6,000)	210-215	0-5
David Thomas Director Appointed to Board 14 December 2019	20-25	-	75-80	-	-	-	-	-	13,000	-	35-40	-
Melanie Dawes CB[3] Permanent Secretary Left 29 February 2020	155-160	165-170	170-175	-	15-20	15-20	24,000	25,000	-	-	195-200	205-210
Rachel McLean Director General Left 31 December 2019	110-115	145-150	150-155	-	10-15	10-15	-	-	50,000	57,000	170-175	215-220
Tom Walker [Interim] Director General From 01 July 2019 to 02 October 2019	30-35	-	120-125	-	10-15	-	-	-	10,000	-	50-55	-
Simon Ridley Director General Left 21 July 2019	40-45	135-140	135-140	-	-	10-15	-	-	13,000	47,000	50-55	190-195
Jo Farrar[4] Director General Left 31 March 2019	-	145-150	-	-	-	-	-	22,000	-	-	-	165-170
Helen MacNamara Director General Left 3 June 2018	-	30-35[5]	-	130-135	-	-	-	-	-	7,000	-	35-40
Christine Hewitt Director Left 31 December 2018	-	65-70	-	90-95	-	5-10	-	-	-	12,000	-	85-90

Note: bandings above are in the format: £ 0-£5,000, £ 5,000-£10,000, £10,000-£15,000, £15,000-£20,000

(1) This column only shows pension benefits for the Principal Civil Service Pension Scheme ('PCSPS') and Civil Servants and Other Pension Scheme ('CSOPS'). The value of PCSPS and CSOPS pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights. This is a different basis to the way CETV in the Officials' Pension Benefits table is calculated.

(2) Andy Hobart is a member of the Partnership pension scheme and as such did not accrue PCSPS or CSOPS pension benefits in 2019-20. The employer contributions to his Partnership pension account were £1,600 (to the nearest £100) in 2019-20 and are included in the Other Benefits column of this table.

(3) Melanie Dawes is a member of the Partnership pension scheme and as such did not accrue PCSPS or CSOPS pension benefits in 2019-20. The employer contributions to her Partnership pension account were £23,900 (to the nearest £100) in 2019-20 and are included in the Other Benefits column of this table.

(4) Jo Farrar is a member of the Partnership pension scheme and as such did not accrue PCSPS or CSOPS pension benefits in 2018-19. The employer contributions to her Partnership pension account were £22,300 (to the nearest £100) in 2018-19 and are included in the Other Benefits column of this table.

(5) This figure includes a payment made in lieu of untaken annual leave.

The non-executive directors (NEDs) did not receive a salary in their capacity as Board Members and details of fees paid to them during 2019-20 are shown below (subject to audit):

	Fees (£)	
Non-Executive Directors	2019-20	2018-19
Michael Jary (Lead) Appointed 1 February 2019[3]	20,000	3,278
Mary Ney	15,000	15,000
Pam Chesters	17,500	16,458
Daniel Morley[1]	7,500	15,000
"Nick Markham (Acting Lead)[2] Left 31 December 2018"	-	15,000

(1) Daniel Morley resigned on 6 September 2019. The full year entitlement was £15,000.

(2) Nick Markham was acting lead non-executive and left on 31 December 2018. The full year fee entitlement was £20,000.

(3) Michael Jary became lead non-executive on 1 February 2019. 2018-19 figure is for the period 1 February 2019 - 31 March 2019. The full year entitlement is £20,000.

Salary

'Salary' includes gross salary, overtime, reserved rights to London weighting or London allowances, recruitment and retention allowances, private office allowances and any other allowance to the extent that it is subject to UK taxation.

This report is based on accrued payments made by the department and thus recorded in these accounts. In respect of Ministers in the House of Commons, departments bear only the cost of the additional Ministerial remuneration. Their salaries for services as an MP (£79,468 from 1 April 2019) and various allowances to which they are entitled are borne centrally.

However, the arrangement for Ministers in the House of Lords is different in that they do not receive a salary but rather an additional remuneration which cannot be quantified separately from their Ministerial salaries. This total remuneration for Lord Bourne as well as any allowances to which they were entitled is paid by the department and is therefore shown in full in the figures within the Ministers' remuneration table above.

Benefits in Kind

The monetary value of benefits in kind covers any benefits provided by the department and treated by HM Revenue and Customs as a taxable emolument. No Ministers or officials named in these tables received benefits in kind in 2018-19 or 2019-20.

Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year prior to the financial year that they are paid to the individual. The bonuses reported in 2019-20 relate to performance in 2019-20 and the comparative bonuses reported for 2018-19 relate to the performance in 2018-19.

Fair Pay Disclosures (subject to audit)

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid Director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest paid board member in the department, the department's Interim Chief Financial Officer, in the financial year 2019-20 was £175,000 - £180,000 (2018-19: Permanent Secretary, £180,000-£185,000). This has been calculating by pro rating part year board member salaries for the full year equivalent. The pro rated pay of the Interim Chief Financial Officer exceeded that of the Permanent Secretary because the Interim Chief Financial Officer was paid on Government Commercial Organisation terms where pension benefits are significantly reduced which offsets the headline base pay. This was 4.6 times (2018-19: 4.8 times) the median remuneration of the workforce, which was £39,171 (2018-19: £38,112)

In 2019-20, nil (2018-19, nil) employees received remuneration in excess of the highest-paid board member.

Remuneration of employees ranged from £20,000 - £25,000 to £175,000 to £180,000 (2018-19: £20,000 - £25,000 to £180,000 - £185,000). Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

The median salary for 2019-20 has increased by £1,059 compared to the 2018-19 median salary.

Compensation for loss of office (subject to audit)

No ministers or officials received compensation for loss of office in 2019-20.

Ministerial Pension Benefits (subject to audit)

The table below shows the Parliamentary Contributory Pension Fund ('PCPF') pension benefits accrued by ministers who have served as board members of the department during the 2019-20 reporting year:

	Accrued pension at age 65 as at 31/03/20 £'000	Real increase in pension at age 65 £'000	CETV[1] at 31/03/20 £'000	CETV at 31/03/19 £'000	Real increase in CETV £'000
The Rt Hon Robert Jenrick MP	0-5	0-2.5	14	6	3
The Rt Hon Christopher Pincher MP	0-5	0-2.5	23	22	1
Luke Hall MP	0-5	0-2.5	2	0	1
Simon Clarke MP	0-5	0-2.5	3	2	0
The Rt Hon James Brokenshire MP	5-10	0-2.5	125	119	3
Kit Malthouse MP	0-5	0-2.5	11	8	1
Heather Wheeler MP	0-5	0-2.5	19	17	1
Lord Bourne of Aberystwyth	5-10	0-2.5	123	115	5
Viscount Younger of Leckie	5-10	0-2.5	179	163	7
Jake Berry MP	0-5	0-2.5	12	7	2
Esther McVey MP	0-5	0-2.5	56	51	2

(1) CETV stands for Cash Equivalent Transfer Value.

Pension benefits for ministers are provided by the PCPF. The scheme is made under statute and the rules are set out in the Ministers' etc. Pension Scheme 2015[21].

Those Ministers who are Members of Parliament (MPs) may also accrue an MP's pension under the PCPF (details of which are not included in this report). A new MP's pension scheme was introduced from May 2015, although members who were aged 55 or older on 1 April 2013 have transitional protection to remain in the previous final salary pension scheme.

Benefits for Ministers are payable from state pension age under the 2015 scheme. Pensions are re-valued annually in line with pensions increase legislation both before and after retirement. The contribution rate from May 2015 is 11.1% and the accrual rate is 1.775% of pensionable earnings.

The figure shown for pension value includes the total pension payable to the member under both the pre- and post-2015 ministerial pension schemes.

21 http://qna.files.parliament.uk/ws-attachments/170890/original/PCPF%20MINISTERIAL%20SCHEME%20FINAL%20RULES.doc

The Cash Equivalent Transfer Value (CETV)

This is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total ministerial service, not just their current appointment as a Minister. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance tax which may be due when pension benefits are taken.

The real increase in the value of the CETV

This is the element of the increase in accrued pension funded by the Exchequer. It excludes increases due to inflation and contributions paid by the Minister. It is worked out using common market valuation factors for the start and end of the period.

Officials' Pension Benefits (subject to audit)

The table below shows the PCSPS and CSOPS pension benefits accrued by officials who have served as board members of the department during the 2019-20 reporting year. Dame Melanie Dawes DCB joined the Partnership pension scheme from 1 April 2017 so did not accrue PCSPS or CSOPS pension benefits in 2019-20. Employer contributions to her Partnership pension accounts were £19,500 (to the nearest £100) in 2019-20.

Officials	Accrued pension at pension age as at 31/03/20 and related lump sum £'000	Real increase in pension and related lump sum at pension age £'000	CETV at 31/03/20 £'000	CETV at 31/03/19 £'000	Real increase in CETV £'000
Jeremy Pocklington	50-55 plus a lump sum of 25-30	5-7.5 plus a lump sum of 0-2.5	762	668	57
Catherine Frances	25-30 plus a lump sum of Nil	7.5-10 plus a lump sum of Nil	391	277	93
Emran Mian	15-20 plus a lump sum of Nil	0-2.5 plus a lump sum of Nil	243	212	19
Lise-Anne Boissiere	25-30 plus a lump sum of Nil	0-2.5 plus lump sum of Nil	319	285	15
Ruth Bailey	20-25 plus a lump sum of 55-60	5-7.5 plus a lump sum of 7.5-10	390	300	70
David Thomas	30 - 35 plus a lump sum of Nil	0 - 2.5 plus a lump sum of Nil	434	424	6
Rachel McLean	20-25 plus a lump sum of Nil	2.5-5 plus a lump sum of Nil	290	241	28
Tom Walker	35-40 plus a lump sum of 75-80	0-2.5 plus a lump sum of Nil	540	533	3
Simon Ridley	40-45 plus a lump sum of 85-90	0-2.5 plus a lump sum of Nil	644	617	5

Pension benefits for officials are provided through the Civil Service pension arrangements. From 1 April 2015, a new pension scheme for civil servants was introduced - the Civil Servants and Others Pension Scheme (CSOPS) or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: three providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60 and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha (CSOPS) sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha - as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 4.6% and 8.05% for members of classic, premium, classic plus, nuvos and alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/80th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus, 65 for members of nuvos and the higher of 65 or State Pension Age for members of alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha (CSOPS), as appropriate. Where the official has benefits in both the PCSPS and alpha (CSOPS) the figure quoted is the combined value of their benefits in the two schemes but note that part of that pension may be payable from different ages.)

Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk

The Cash Equivalent Transfer Value

A CETV is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in the value of the CETV

This reflects the increase in the CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Staff Report

The Staff Report relates to the core department. Information on ALBs can be found in their published Annual Reports.

Annual Report – People

During 2019-20 our people were presented with an unprecedented set of new challenges, including work to support our exit from the EU, support for local areas affected by significant winter flooding and, in the last weeks of the year, the COVID-19 pandemic. Our staff responded very positively by working in a flexible and collaborative manner, both across teams and in partnership with other government departments to deliver our Ministers' domestic priorities and to respond to the issues of critical national importance highlighted above.

The scale of the challenges and the pace at which we had to respond to new work, often to very tight deadlines, meant that much of our normal people planning and activity was paused or suspended as we focused on a core and essential set of people issues.

Diversity and Inclusion

In 2019-20 we remained committed to getting the basics right on diversity and inclusion. We were however much more ambitious than this and were aligned fully to the Civil Service strategic goal to be the most inclusive and diverse employers in the UK. Our approach in 2019-20 was to:

- Bring in diverse talent - through recruitment processes that attract a diverse range of applications;
- Bring on and grow diverse talent - through supporting people with disabilities as well as other protected groups;
- Build an inclusive culture for all - through promoting inclusive leadership behaviours among all employees and visibly and explicitly reward these behaviours; and
- Build and analyse diversity datasets and improving transparency.

Over the past 12 months, we have made progress in the following areas:

- Improving data - we increased declaration rates on social economic backgrounds from 22% to 70%;
- Driving representation - in conjunction with other departments we piloted a Leadership Pipeline programme for 10 ethnic minority women in MHCLG and supported our biggest cohort of HEO/SEO staff on the Positive Action Pathway Programme with an enhanced offer, Cohort Sponsor and a mentor programme; and
- Transparency and accountability - we published our SCS diversity objectives to all staff and aim to report on delivery against these objectives in 2020-21.

Further actions (and achievements) we took to measure, benchmark and drive our performance included:

- We achieved 39th place on the Social Mobility Employer Index;
- We made the "Business in the Community: Best Employers for Race" list and are a member of the Business Disability Forum;
- We enhanced our social mobility outreach offer by entering a partnership with the Ministry of Justice's schools outreach programme, widening our reach across several communities nationally;

- We entered partnership with the Mosaic Secondary School Mentoring Programme[22] where MHCLG colleagues volunteer as mentors for small groups of students aged 11 to 18 years;
- We achieved two highly commended awards at the Civil Service Diversity Awards 2019 and our Inclusion Deputy Director won a personal award;
- MHCLG achieved the highest response rate to the inclusion measure survey across the Civil Service, obtaining an overall inclusion score of 3.7 versus the Civil Service Benchmark Score of 3.5; and
- 97% of MHCLG colleagues completed our people survey, with a positive score on inclusion and fair treatment of 82%, which is higher than the Civil Service high performing group.

In January 2020 we published our third annual report on gender pay gaps. We remain committed to investigating gender pay gaps and ensuring we take action to address them. Gender pay gaps in the core department are modest, in part because of the even distribution of men and women throughout the organisation. The core department shows a mean pay gap of 1.3% and a median pay gap of 0.4% as at 31 March 2019.

We are also committed to upholding the principles of recruitment and selection being made on merit and on the basis of fair and open competition. We have designed our recruitment process in support of that aim. We have invested in externally promoting our brand as a diverse and inclusive employer of choice, using the "We are for everyone" campaign, making use of an outreach video as part of our attraction and inclusion strategy.

Data over a 5-year period demonstrates that the variance between BAME and White candidates being offered roles is closing, what was a 17% percentage point difference in 2015/16 had reduced to 10% in 2019-20. Whilst we have made encouraging progress, we will continue to take action to ensure that the gap continues to close.

Employee Well-being

Employee well-being was a priority for the department in 2019-20 as staff operated within a testing and rapidly changing environment. We delivered Wellbeing Confident Leaders training to 86% of our Senior Civil Servants, designed to help embed wellbeing into all planning, decision-making, performance and change management. This training was then cascaded to many other colleagues. To support colleagues working on EU Exit we created a toolkit including face to face resilience workshops, a mental health toolkit and tips to individuals and team wellbeing. We launched our new wellbeing and mental health plan at the start of the year in collaboration with our wellbeing champions and the wider wellbeing network. Staff across the department have access to the CALM app with almost 50% of our colleagues actively using it to support their wellbeing through meditation, yoga, sleep stories and mindfulness. Finally, we had a positive response to the various campaigns in the department such as Time to Talk day and Grief Awareness week.

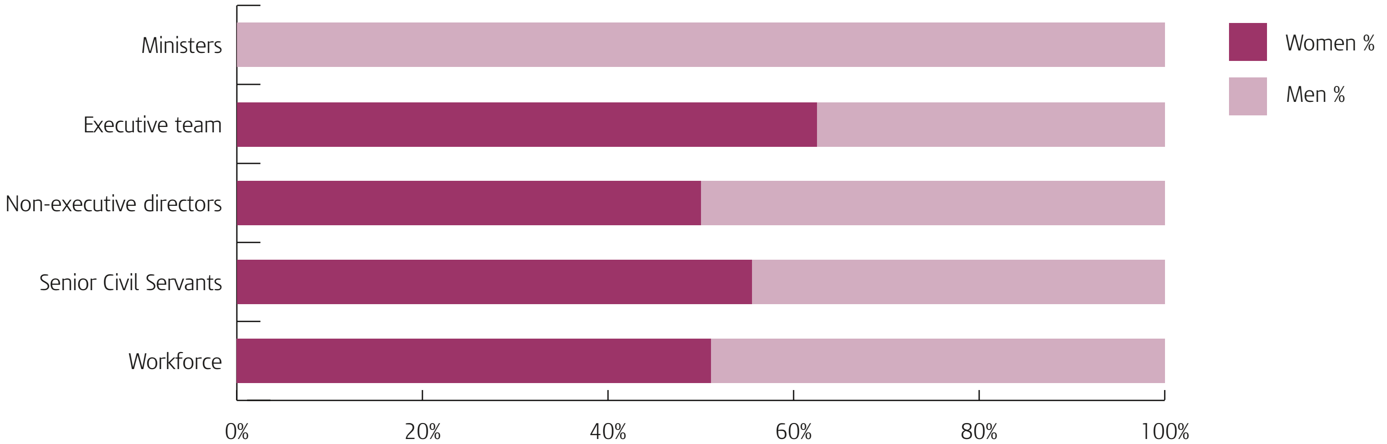
22 https://www.mosaicnetwork.co.uk/get-involved/mentor/

Staff Data

Gender Diversity

The department's gender diversity statistics are shown in the graph below. In January 2020 we published data on our gender pay gap in line with other employers[23]. The MHCLG Group gender pay gap data for 31 March 2020 will be published in January 2021 as part of a co-ordinated publication exercise across all Whitehall departments. The chart only includes staff that are on the departmental payroll.

Staff Diversity by Gender - Core Department as at 31 March 2020



Management

The department's safety performance has remained strong during 2019-20. No accidents were reported to the Health and Safety Executive under Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013 (RIDDOR) in 2019-20 (none in 2018-19). The Reportable Accident Rate was calculated as 0 per 100,000 employees. A total of seventeen accidents were reported by employees in 2019-20 against five in 2018-19. While we have seen an increase in reported accidents including near misses, this may represent a greater awareness among staff of the importance regarding reporting accidents. Civil Service data is not yet available.

Average Working Days Lost

	Jan - Dec 2019	Jan - Dec 2018 (AWDL)(1, 2)
Civil Service	**TBC**	6.8
Core Department	4.2	3.9
Executive Agency	5.3	6.9

(1) AWDL: Average working days lost.

Staff with no sickness absence

	Jan-Dec 2019	Jan-Dec 2018
Core Department	68%	71%
Executive Agency	57%	54%

(1) AWDL: Average working days lost.

(2) Civil Service AWDL is based on January 2018 - January 2018 data.

23 https://www.gov.uk/government/publications/mhclg-gender-pay-gap-report-and-data-2019/mhclgs-gender-pay-gap-report-2019

Trade Union Facility time

The following data relates to both the core department and executive agency (Planning Inspectorate).

Relevant union officials

Number of employees who were relevant union officials during 1 April 2019 - 31 March 2020	Full-time equivalent employee number
43	43

Percentage of time spent on facility time

Percentage of time	Number of employees
0%	24
1-50%	19
51%-99%	-
100%	-

Percentage of pay bill spent on facility time

	Figures
Total cost of facility time	£119,257
Total pay bill	£191,365,000
Percentage of the total pay bill spent on facility time	0.06%

Paid trade union activities

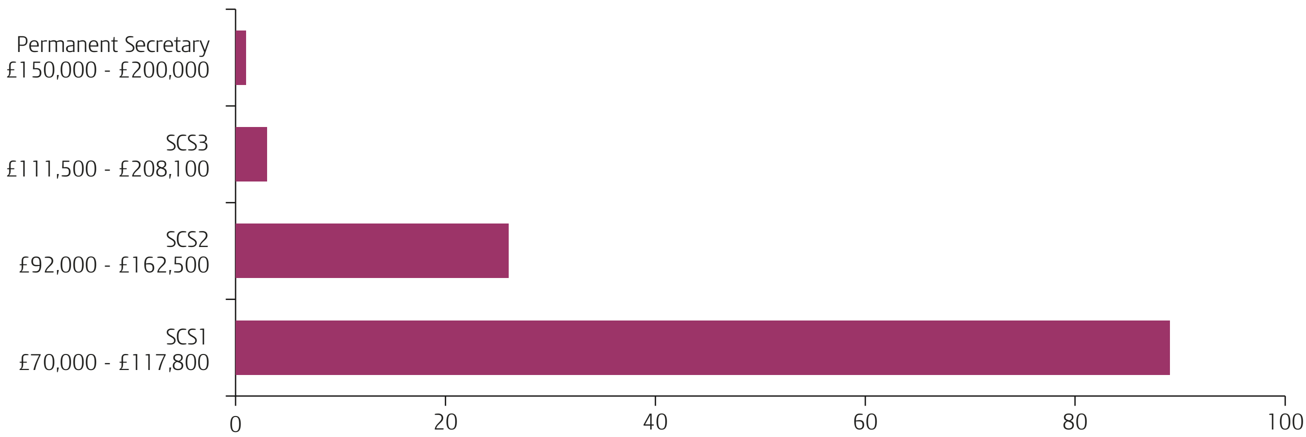
Time spent on paid trade union activities as a percentage of total paid facility time hours	0%

Some relevant union officials did not spend facility time on union activities.

Senior Civil Service salaries and staffing

At 31 March 2020 there were 119 Senior Civil Service staff including the Permanent Secretary on the core department's payroll. This includes staff receiving temporary responsibility allowance at an SCS pay band.

SCS Headcount by pay band as at 31 March 2020



Staff numbers and related costs (subject to audit)

The following sections below have been subject to audit: staff costs, average number of full time equivalent persons employed, and reporting of civil service and other compensation schemes.

Staff costs[24]

£'000

					2019-20	2018-19
	Permanently Employed Staff	Others	Ministers	Special Advisers	Total	Total
Wages & Salaries	204,583	19,592	279	86	224,540	185,617
Social Security Costs	23,257	-	29	12	23,298	19,799
Pension Costs	67,624	-	-	16	67,640	46,195
Total Costs	**295,464**	**19,592**	**308**	**114**	**315,478**	**251,611**
Less Recoveries in respect of outward secondments	(2,140)	-	-	-	(2,140)	(2,284)
Total Net Costs	**293,324**	**19,592**	**308**	**114**	**313,338**	**249,327**
Of which:						
Core Department	137,438	11,193	308	114	149,053	117,988
Agency	43,119	528	-	-	43,647	34,815
Designated Bodies	114,907	7,871	-	-	122,778	98,808

Average number of full-time equivalent persons employed

					2019-20	2018-19
	Permanent staff	Others	Ministers	Special Advisers	Total	Total
Core Department	1,942	409	5	3	2,359	2,021
Agency	725	11	-	-	736	651
Designated Bodies	1,395	158	-	-	1,553	1,395
Total	4,062	578	5	3	4,648	4,067

This is the annual average based on year end full time equivalent staff numbers.

Although now administered through Cabinet Office payroll, Special Advisors continue to be employed by the appointing Minister. Therefore Special Advisors are included when reporting staff numbers.

24 Special Advisers wages and salaries transferred to the Cabinet Office part way through the year. The table only shows the amounts we paid them prior to their transfer.

Staff redeployments

In accordance with Transfers within the Civil Service (February 2019), short-term staff loans of up to six months remained on the payroll and terms and conditions of their home department and the host department bore no responsibility for the costs of the loaned staff. 279 Ministry of Defence (MOD) staff were loaned to the department for EU exit work (155 for the first 2019-20 planning exercise and 124 for the second). In March 2020, 19 MOD staff were loaned to the department for COVID-19. If the cost had been incurred by the department, the staff would have been classified in programme budgets. A breakdown by grade is shown below.

Grade	No. Staff
SCS	7
G6	32
G7	50
SEO	93
HEO	92
EO	24
AO	0
TOTAL	**298**

The Principal Civil Service Pension Scheme (PCSPS)

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS) - known as "Alpha" are unfunded multi-employer defined benefit schemes, but the department is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2012. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation (https://www.civilservicepensionscheme.org.uk/about-us/resource-accounts/).

For 2019-20, employers' contributions of £25,672,268 (2018-19: £22,462,368) were payable to the Principal Civil Service Pension Scheme at one of four rates in the range 26.6% to 30.3% of pensionable earnings, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2019-20 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. For 2019-20, employers' contributions of £159,289 (2018-19: £154,976) were paid to the appointed stakeholder pension provider. Employer contributions are age-related and ranged from 8% to 14.75%. Employers also match employee contributions up to 3% of pensionable earnings. In addition, for 2019-20, employer contributions of 0.5% of pensionable pay were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the partnership pension providers at the accounting date were £10,155 (2018-19: £14,662). Contributions prepaid at that date were nil.

One member of staff (2018-19: one) retired early on ill-health grounds, the additional accrued pension liabilities in the year amounted to £8,430 (2018-19: Nil).

Reporting of civil service and other compensation schemes – exit packages (subject to audit)

In the core department and Agency, redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full when the exit has been agreed in accordance with IAS 19 and 37. Where the department has agreed early retirements, the additional costs are met by the department and not by the Civil Service pension scheme. Ill health retirement costs are met by the pension scheme and are not included in the table.

Staff employed by other bodies in the Departmental Group are not civil servants and redundancy and other departure costs are paid in accordance with the rules applying to the bodies in question. Further details are in the accounts of the bodies concerned.

	2019-20			2018-19	2019-20			2018-19
	Core Department and Agency				Departmental Group			
Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total number of exit packages by cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total number of exit packages by cost band
<£10,000	-	1	1	-	-	1	1	-
£10,000 - £25,000	-	-	-	-	-	-	-	-
£25,000 - £50,000	-	1	1	-	-	1	1	-
£50,000 - £100,000	-	3	3	7	-	10	10	10
£100,000 - £150,000	-	-	-	-	-	-	-	-
£150,000 - £200,000	-	-	-	-	-	1	1	-
£200,001 onwards	-	-	-	-	-	-	-	-
Total number of exit packages	**–**	**5**	**5**	**7**	**–**	**13**	**13**	**10**
			£'000	£'000			£'000	£'000
Total cost	-	**318**	**318**	**494**	**–**	**1,076**	**1,076**	**755**

Expenditure on Consultancy and Temporary Staff

£000

	2019-20	2018-19 Restated	2017-18	2016-17
Cost of Contingent Labour				
Core Department	5,992	5,180	1,640	1,236
Executive Agency	2,476	3,091	1,908	2,251
ALBs	7,302	5,105	3,052	2,502
Total	15,771	13,376	6,600	5,989
Cost of Consultancy				
Core Department	4,898	2,763	336	140
Executive Agency	64	-	-	-
ALBs	1,332	62	69	16
Total	6,294	2,825	405	156
Overall Total	**22,065**	**16,201**	**7,005**	**6,145**

Note: Contingent labour - This is the provision of workers to cover business-as-usual or service delivery activities within an organisation. Temporary Staff are also often referred to as "Contingent Labour".

Note: Consultancy staff - This is the provision to management of objective advice relating to strategy, structure, management or operations of an organisation, in pursuit of its purposes and objectives. Such advice will be provided outside the business-as-usual environment when in-house skills are not available and will be time-limited.

The 2018-19 Annual Report contained an error in the core department cost of consultancy figure. This has been corrected in the table above.

Consultancy increased in the year due to new engineering consultancy requirements for the building safety programme.

Reporting the tax arrangements of public sector appointees

As part of the Review of Tax Arrangements of Public Sector Appointees published by the Chief Secretary to the Treasury on 23 May 2012, departments and their arm's length bodies must publish information on their highly paid and senior off-payroll engagements.

The department uses off-payroll arrangements for specialist or technical contractors and consultants to address urgent scarce skills gaps.

Off-payroll engagements as of 31 March 2020, for more than £245 per day and that last for longer than six months	Main Department	Agency	ALBs
No. of existing engagements as of 31 March 2020	**41**	**133**[(2)]	**64**
of which have existed for:			
less than one year at time of reporting	21	45	41
between one and two years at time of reporting	9	87	12
between two and three years at time of reporting	4	1	2
between three and four years at time of reporting	3	0	4
four years or more at time of reporting	4[(1)]	0	5

(1) These are independent expert assessors approved by the Secretary of State to assess prospective Tenant Management Organisations. The assessors' employment is sporadic, and these roles cannot be fulfilled by on-payroll staff because this work must be carried out by experts who are independent from Government.

(2) The Planning Inspectorate engaged in a number of off-payroll contracts. Over 60% of these engagements were for the services of Non-Salaried Inspectors (on a fee-paid contractual basis), to provide necessary flexibility in the Inspector workforce. The remainder of the off-payroll engagements were to support a specific need in the organisation whilst transforming the organisational design.

New off-payroll engagements, or those that reached six months in duration, between 1 April 2019 and 31 March 2020, for more than £245 per day and that last for longer than six months	Main Department	Agency	ALBs
No. of new engagements, or those that reached six months in duration, between 1 April 2019 and 31 March 2020	**44**	**149**	**70**
Of which:			
No. assessed as caught by IR35	24	0	58
No. assessed as not caught by IR35	20	149	12
No. engaged directly (via Personal Service Company contracted to Department) and are on the departmental payroll	0	0	0
No. of engagements reassessed for consistency/assurance purposes during the year	22	116	4
No. of engagements that saw a change to IR35 status following the consistency review	5	0	0

Off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2019 and 31 March 2020	Main Department	Agency	ALBs
No. of off-payroll engagements of board members, and/or senior officials with significant financial responsibility, during the financial year	0	0	3[(3)]
Total no. of individuals both on and off-payroll that have been deemed "board members and/or senior officials with significant financial responsibility", during the financial year.	11	14	78

(3) Homes England had two senior officials on off-payroll, working as part of the new Executive Team. Whilst recruitment took place for the permanent positions, there had been a recruitment freeze, which delayed the progress. However, these posts have now been filled with on payroll permanent recruitment.
The other individual was a secondee with the Housing Ombudsman Service who is on their parent organisation's payroll. The secondment ended on 29 February 2020.

Parliamentary Accountability and Audit Report

Introduction

As described on page 32, the Parliamentary Accountability and Audit Report includes three sections: the Statement of Parliamentary Supply, Parliamentary Accountability Disclosures and the Certificate and Report of the Comptroller and Auditor General. This introduction provides further detail on the figures presented in the Statement of Parliamentary Supply and in the Core Tables of the Parliamentary Accountability Disclosure section.

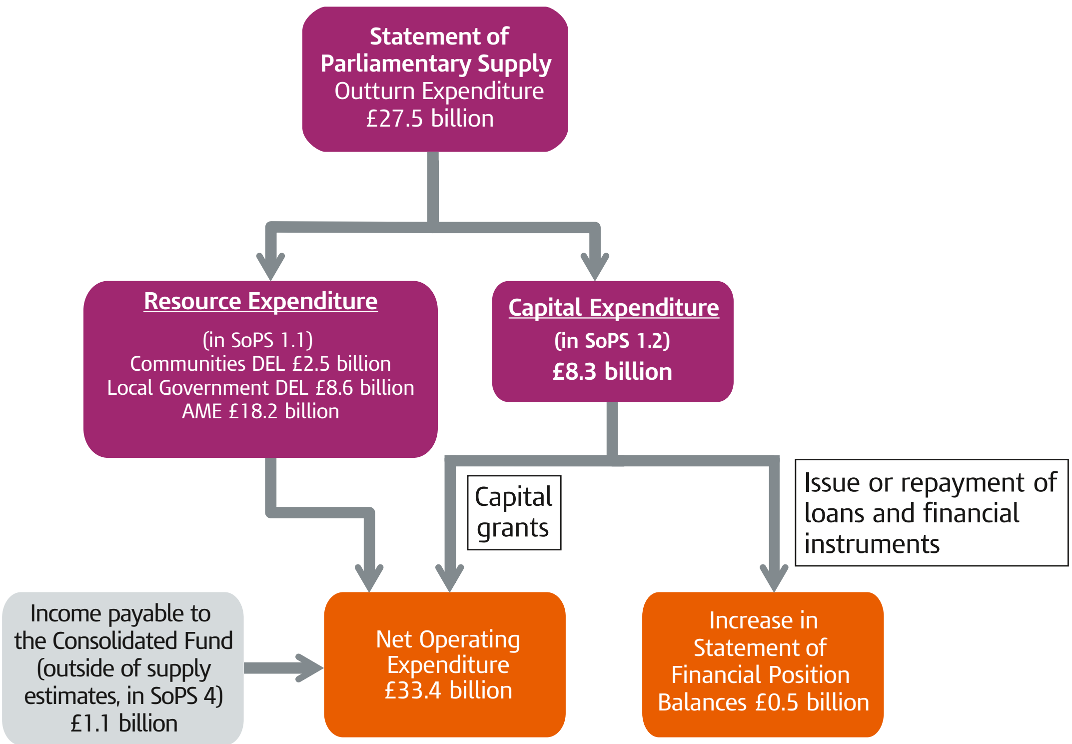
The department's spending is shown in two presentations in the Annual Report and Accounts.

The **Parliamentary Accountability and Audit Report** presents the department's spend against the budgets set by Parliament in Supply Estimates. The final budgets for the year were set in the Supplementary Estimates[25].

The department's budgets follow the international standards of the European System of Accounts (ESA). This allows HM Treasury to produce compliant National Accounts capable of international comparison.

The **Financial Statements** meanwhile apply International Financial Reporting Standards (IFRS) as adapted for Government by the Financial Reporting Manual (FReM).

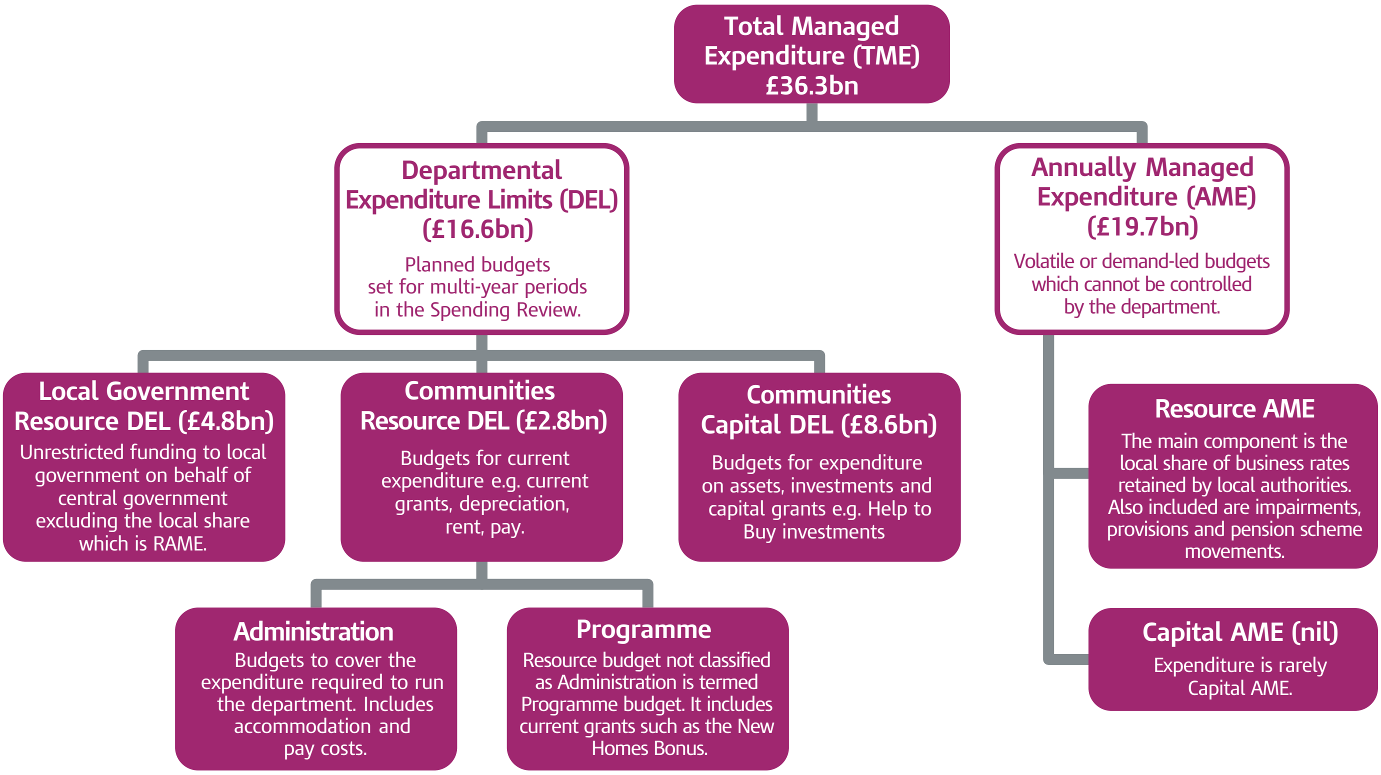
The diagram below shows how total spending from one presentation relates to the other. A more detailed reconciliation between resource expenditure shown in the Statement of Parliamentary Supply (SoPS) 1.1 and net operating expenditure in the Statement of Comprehensive Net Expenditure in the Financial Statements can be found in Statement of Parliamentary Supply (SoPS) 2 below.



25 Supplementary Estimates 2018-19

The Department's Budget and Outturn

The diagram below shows the department's control totals which are the budget totals that we must not breach and which are set in Supply Estimates. The department has two Resource DEL control totals, one for the funding we provide to local government on behalf of central government and one for the department's own spending. These and other control totals are set out in the diagram below. In 2019-20, the Local Government Resource DEL control total has been breached which is a serious issue resulting in the Comptroller and Auditor General's qualified regularity opinion. Refer to page 41 for further information.



SoPS 1.1 and SoPS 1.2 report expenditure against each DEL or AME budgetary control limit, split by specific area of departmental expenditure, for example Housing & Planning or Troubled Families. SoPS 1.1 reports resource expenditure and SoPS 1.2 reports capital expenditure. The specific areas of departmental expenditure in budgets are called estimate rows. The Core Tables on page 86 present expenditure at the same level of detail (i.e. by estimate row) and on the same basis as SoPS 1.1 and SoPS 1.2 over a six year period.

The table on the next page shows the main streams of expenditure contained within each estimate row presented in SoPS 1.1, SoPS 1.2 and the Core Tables. Costs classified as administration expenditure by HM Treasury are all incurred within Communities Resource DEL. The administration expenditure Core Table provides a subset of figures from the Departmental Resource Spending Core Table. The Administration Costs table in the SoPS provides a subset of figures from the summary of Resource and Capital Outturn table and SoPS 1.1.

Estimate Row	Main Expenditure Streams
Communities DEL Estimate Rows	
A: Local Government & Public Services	• EU Exit - Local Government • Controlling Migration Fund • Grenfell Tower Site Management
B: Housing and Planning	• Affordable Housing London • New Homes Bonus • Flexible Homelessness Support Grant • PFI Housing Grants • Brent Cross • Expenditure of the Planning Inspectorate
C: Decentralisation & Local Growth	• Devolution Deals • Local Growth Fund
D: Troubled Families	• Troubled Families Programme
E: Research, Data and Trading Funds	• ERDF Foreign Exchange Rate (Gains)/Losses • Research & Development expenditure
F: MHCLG Staff, Building and Infrastructure Costs	The majority is classified as administration expenditure: • Staff Pay • Estates costs e.g. rent, rates, utilities
G: Local Government & Public Services (ALB)(Net)	• Expenditure of the Valuation Tribunal Service (VTS) and the Commission for Local Administration in England (CLAE) - the majority of which is classified as administration expenditure.
H: Housing and Planning (ALB)(Net)	Expenditure by Homes England on programmes including: • Help to Buy • Affordable Homes Programme • Home Building Fund • Land Assembly Fund • Investment income received by Homes England • Administration expenditure on Homes England staff and estates • Expenditure by the Leasehold Advisory Service (LAS) and The Housing Ombudsman (THO) - most of which is classified as Administration expenditure • Expenditure by the Regulator of Social Housing - both Administration and Programme expenditure
Local Government DEL Estimate Rows	
I: Revenue Support Grant	• Revenue support grant - central government funding provided to support local government services
J: Other Grants and Payments	• Business rates and council tax reliefs and support • Additional Better Care Fund • Grant funding for former recipients of Independent Living Fund • Adult Social Care Support Fund
K: Business Rates Retention	• Payments to local authorities whose income from business rates is below a baseline level
AME Estimate Rows	
L: Local Government and Public Services	• Grenfell Site provision
M: Housing & Planning; and	• Impairments of non-current and financial assets
S: Housing & Planning (ALB)	• Impairments and revaluations
N: Decentralisation and Local Growth	• Expenditure by the core department on creation and release/utilisation of provisions and revaluation of estates
O: Research, Data and Trading Funds	• Unrealised exchange rate losses and gains
P: MHCLG Staff, Building and Infrastructure Costs	• Expenditure by the core department on creation and release/utilisation of provisions
Q: Non-Domestic Rates Outturn Adjustment	• Expenditure relating to year-end adjustments for business rates retention outturn.
R: Local Government & Public Services (ALB)(Net)	• Expenditure on pensions by the VTS and the CLAE
T: Business Rates Retention	• Includes the local share of business rates collected and retained by local authorities as well other business rates retention payments and receipts

Statement of Parliamentary Supply (subject to audit)

In addition to the primary statements prepared under IFRS, the Government Financial Reporting Manual (FReM) requires MHCLG to prepare a Statement of Parliamentary Supply (SoPS) and supporting notes. The SoPS and related notes are subject to audit, as detailed in the Certificate and Report of the Comptroller and Auditor General to the House of Commons.

The SoPS is a key accountability statement that shows, in detail, how an entity has spent against their Supply Estimate. Supply is the monetary provision (for resource and capital purposes) and cash (drawn primarily from the Consolidated fund), that Parliament gives statutory authority for entities to utilise. The Estimate details supply and is voted on by Parliament at the start of the financial year.

Should an entity exceed the limits set by their Supply Estimate, called control limits, their accounts will receive a qualified opinion. This has been the case this year in respect of the breach of the local government RDEL control total. The ministerial direction to authorise the early release of two grants to local authorities has resulted in a qualification of the Comptroller and Auditor General's regularity opinion on page 95.

The format of the SoPS mirrors the Supply Estimates, published on gov.uk, to enable comparability between what Parliament approves and the final outturn. The SoPS contain a summary table, detailing performance against the control limits that Parliament have voted on, cash spent (budgets are compiled on an accruals basis and so outturn won't exactly tie to cash spent) and administration. The supporting notes detail the following: Outturn by Estimate line, providing a more detailed breakdown (note 1); a reconciliation of outturn to net operating expenditure in the SOCNE, to tie the SoPS to the Financial Statements (note 2); a reconciliation of outturn to net cash requirement (note 3); and an analysis of income payable to the Consolidated Fund (note 4).

Summary of Resource and Capital Outturn 2019-20

£'000

		2019-20								2018-19
		Outturn			Estimate			Outturn compared with Estimate: saving/(excess)		Outturn
	Note	Voted	Non-Voted	Total	Voted	Non-Voted	Total	Voted	Total	Total
Departmental Expenditure Limit (DEL) MHCLG Housing and Communities										
Resource	SoPS1.1	**2,479,436**	-	2,479,436	**2,847,027**	-	2,847,027	**367,591**	367,591	2,328,243
Capital	SoPS1.2	**8,272,083**	-	8,272,083	**8,584,431**	-	8,584,431	**312,348**	312,348	7,423,772
Total		**10,751,519**	-	**10,751,519**	**11,431,458**	-	**11,431,458**	**679,939**	**679,939**	**9,752,015**
Departmental Expenditure Limit (DEL) MHCLG Local Government										
Resource	SoPS1.1	**8,571,762**	-	8,571,762	**5,186,137**	-	5,186,137	**(3,385,625)**	(3,385,625)	4,833,828
Capital	SoPS1.2	**-**	-	-	**-**	-	-	**-**	-	-
Total		**8,571,762**	-	**8,571,762**	**5,186,137**	-	**5,186,137**	**(3,385,625)**	**(3,385,625)**	**4,833,828**
Annually Managed Expenditure (AME)										
Resource	SoPS1.1	**18,193,464**	-	18,193,464	**19,685,443**	-	19,685,443	**1,491,979**	1,491,979	21,386,517
Capital	SoPS1.2	**-**	-	-	**-**	-	-	**-**	-	-
Total		**18,193,464**	-	**18,193,464**	**19,685,443**	-	**19,685,443**	**1,491,979**	**1,491,979**	**21,386,517**
Total Budget										
Resource	SoPS1.1	**29,244,662**	-	29,244,662	**27,718,607**	-	27,718,607	**(1,526,055)**	(1,526,055)	28,548,588
Capital	SoPS1.2	**8,272,083**	-	8,272,083	**8,584,431**	-	8,584,431	**312,348**	312,348	7,423,772
Total Budget Expenditure		**37,516,745**	-	**37,516,745**	**36,303,038**	-	**36,303,038**	**(1,213,707)**	**(1,213,707)**	**35,972,360**
Total Budget and Non-Budget		**37,516,745**	-	**37,516,745**	**36,303,038**	-	**36,303,038**	**(1,213,707)**	**(1,213,707)**	**35,972,360**

Figures in the areas outlined in thick line cover the voted control limits voted by Parliament. Refer to the Supply Estimates guidance manual, available on gov.uk, for detail on the control limits voted by Parliament.

The control total for Local Government RDEL was breached in 2019-20. Refer to page 41 for more information.

Net Cash Requirement 2019-20

£'000

		2019-20			2018-19
Item	SoPS Note	Outturn	Estimate	Outturn vs. Estimate: saving/(excess)	Outturn
Net Cash Requirement	3	**19,831,656**	**16,963,760**	(2,867,896)	15,595,231

The control total for the net cash requirement was breached in 2019-20. Refer to page 41 for more information.

Administration Costs 2019-20

£'000

		2019-20			2018-19
Type of spend	SoPS Note	Outturn	Estimate	Outturn vs. Estimate: saving/(excess)	Outturn
Administration Costs	1.1	**244,061**	**294,320**	50,259	254,907

Although not a separate voted limit, any breach of the administration budget will also result in an excess vote.

Notes to the Statement of Parliamentary Supply

SoPS 1. Outturn detail, by Estimate line

SoPS 1.1 Analysis of resource outturn by Estimate line

£'000

	2019-20											2018-19
	Outturn							Estimate			Outturn vs Estimate, saving/ (excess)	Outturn
	Administration			Programme								
	Gross	Income	Net	Gross	Income	Net	Total	Net Total	Virements	Total inc. virements[2]		Total
Spending in Departmental Expenditure Limits (RDEL) - MHCLG Housing and Communities												
Voted expenditure												
A Local Government & Public Services	-	-	-	172,758	(3,105)	169,653	169,653	179,047	(6,169)	172,878	3,225	174,145
B Housing and Planning	-	-	-	1,685,558	(54,742)	1,630,816	1,630,816	1,707,266	-	1,707,266	76,450	1,573,338
C Decentralisation & Local Growth	-	-	-	341,294	(126,151)	215,143	215,143	223,405	-	223,405	8,262	178,146
D Troubled Families	-	-	-	155,028	-	155,028	155,028	148,859	6,169	155,028	-	174,370
E Research, Data and Trading Funds	-	-	-	14,193	(1,954)	12,239	12,239	19,843	-	19,843	7,604	2,920
F MHCLG Staff, Building and Infrastructure Costs	227,045	(28,384)	198,661	7,932	(1,783)	6,149	204,810	229,466	-	229,466	24,656	166,068
G Local Government & Public Services (ALB) (Net)[1]	18,967	-	18,967	-	-	-	18,967	17,504	1,463	18,967	-	17,789
H Housing and Planning (ALB) (Net)[1]	26,433	-	26,433	46,347	-	46,347	72,780	321,637	(1,463)	320,174	247,394	41,467
Total Voted	**272,445**	**(28,384)**	**244,061**	**2,423,110**	**(187,735)**	**2,235,375**	**2,479,436**	**2,847,027**	**–**	**2,847,027**	**367,591**	**2,328,243**
Total spending in RDEL – MHCLG Housing and Communities	**272,445**	**(28,384)**	**244,061**	**2,423,110**	**(187,735)**	**2,235,375**	**2,479,436**	**2,847,027**	**–**	**2,847,027**	**367,591**	**2,328,243**

(1) Expenditure and income on these estimate rows are presented net in the Gross column per HMT Treasury guidance. All other estimate rows present expenditure and income separately: expenditure in the Gross column and income in the Income column.

(2) Parliament does not vote on how budget within a control total is distributed across the estimate row sub-headings. As a result, and per the HMT Supply Estimates Manual, the department has discretion to move budget between estimate rows via 'virements'.

£'000

	2019-20											2018-19
	Outturn							Estimate			Outturn vs Estimate, saving/ (excess)	Outturn
	Administration			Programme								
	Gross	Income	Net	Gross	Income	Net	Total	Net Total	Virements	Total inc. virements[2]		Total
Spending in RDEL – MHCLG Local Government												
Voted expenditure												
I Revenue Support Grant	-	-	-	653,053	-	653,053	653,053	653,055	-	653,055	2	1,378,991
J Other Grants and Payments	-	-	-	7,918,527	(25)	7,918,502	7,918,502	4,532,875	-	4,532,875	(3,385,627)	3,450,907
K Business Rates Retention	-	-	-	207	-	207	207	207	-	207	-	3,930
Total Spending in RDEL – MHCLG Local Government	**–**	**–**	**–**	**8,571,787**	**(25)**	**8,571,762**	**8,571,762**	**5,186,137**	**–**	**5,186,137**	**(3,385,625)**	**4,833,828**
Total spending in RDEL	**272,445**	**(28,384)**	**244,061**	**10,994,897**	**(187,760)**	**10,807,137**	**11,051,198**	**8,033,164**	**–**	**8,033,164**	**(3,018,034)**	**7,162,071**

(1) Expenditure and income on these estimate rows are presented net in the Gross column per HMT Treasury guidance. All other estimate rows present expenditure and income separately: expenditure in the Gross column and income in the Income column.

(2) Parliament does not vote on how budget within a control total is distributed across the estimate row sub-headings. As a result, and per the HMT Supply Estimates Manual, the department has discretion to move budget between estimate rows via 'virements'.

The control total for Local Government RDEL was breached in 2019-20. Refer to page 41 for more information.

£'000

	Outturn							Estimate			2019-20	2018-19
	Administration			Programme							Outturn vs Estimate, saving/ (excess)	Outturn
	Gross	Income	Net	Gross	Income	Net	Total	Net Total	Virements	Total inc. virements[2]		Total
Spending in Annually Managed Expenditure (RAME)												
Voted expenditure												
L Local Government and Public Services	-	-	-	96,046	(42,375)	53,671	53,671	66,202	-	66,202	12,531	7,903
M Housing and Planning	-	-	-	384	7,877	8,261	8,261	127,389	-	127,389	119,128	6,168
N Decentralisation and Local Growth	-	-	-	-	(2,254)	(2,254)	(2,254)	6,100	-	6,100	8,354	5,802
O Research, Data & Trading Funds	-	-	-	-	-	-	-	2,000	-	2,000	2,000	(74)
P MHCLG Staff, building and infrastructure costs	-	-	-	(4,119)	-	(4,119)	(4,119)	2,398	-	2,398	6,517	1,267
Q Non-Domestic Rates Outturn Adjustment	-	-	-	2,586	-	2,586	2,586	83,560	-	83,560	80,974	(10,818)
R Local Government & Public Services (ALB) (Net)[1]	-	-	-	2,550	-	2,550	2,550	2,580	-	2,580	30	2,356
S Housing & Planning (ALB) (Net)[1]	-	-	-	(234,398)	-	(234,398)	(234,398)	735,940	-	735,940	970,338	174,889
T Business Rates Retention	-	-	-	19,911,822	(1,544,655)	18,367,167	18,367,167	18,659,274	-	18,659,274	292,107	21,199,024
Total spending in RAME	**-**	**-**	**-**	**19,774,871**	**(1,581,407)**	**18,193,464**	**18,193,464**	**19,685,443**	**-**	**19,685,443**	**1,491,979**	**21,386,517**
Total resource	**272,445**	**(28,384)**	**244,061**	**30,769,768**	**(1,769,167)**	**29,000,601**	**29,244,662**	**27,718,607**	**-**	**27,718,607**	**(1,526,055)**	**28,548,588**

(1) Expenditure and income on these estimate rows are presented net in the Gross column per HMT Treasury guidance. All other estimate rows present expenditure and income separately: expenditure in the Gross column and income in the Income column.

(2) Parliament does not vote on how budget within a control total is distributed across the estimate row sub-headings. As a result and per the HMT Supply Estimates Manual, the department has discretion to move budget between estimate rows via 'virements'.

SoPS 1.2 Analysis of capital outturn by Estimate line

£'000

Type of spend (Capital)	Outturn Gross	Outturn Income	Outturn Net Total	Estimates Net Total	Estimates Virements	Estimates Total inc. virements	2019-20 Outturn vs Estimate saving/excess	2018-19 Outturn Net
Spending in Departmental Expenditure Limit (CDEL) – MHCLG Housing and Communities								
Voted expenditure								
A Local Government & Public Services	30,879	(17,229)	13,650	47,621	-	47,621	33,971	885,338
B Housing and Planning	2,627,869	(804,191)	1,823,678	2,074,227	-	2,074,227	250,549	454,752
C Decentralisation and Local Growth	1,125,237	(196,400)	928,837	931,528	-	931,528	2,691	1,190,462
D Troubled Families	749	-	749	1,083	-	1,083	334	696
E Research, Data & Trading Funds	6,119	(1,610)	4,509	6,055	-	6,055	1,546	3,071
F MHCLG Staff, building and infrastructure costs	7,180	(217)	6,963	10,000	-	10,000	3,037	13,924
G Local Government & Public Services (ALB) (Net)[1]	251	-	251	340	-	340	89	496
H Housing and Planning (ALB) (Net)[1]	5,493,446	-	5,493,446	5,513,577	-	5,513,577	20,131	4,875,033
Total spending in CDEL – MHCLG Housing and Communities	**9,291,730**	**(1,019,647)**	**8,272,083**	**8,584,431**	**–**	**8,584,431**	**312,348**	**7,423,772**
Total CDEL & CAME	**9,291,730**	**(1,019,647)**	**8,272,083**	**8,584,431**	**–**	**8,584,431**	**312,348**	**7,423,772**

(1) Expenditure and income on these estimate rows are presented net in the Gross column per HMT Treasury guidance. All other estimate rows present expenditure and income separately: expenditure in the Gross column and income in the Income column.

The total Estimate columns include virements. Virements are the reallocation of provision in the Estimates that do not require parliamentary authority (because Parliament does not vote to that level of detail and delegates to HM Treasury). Further information on virements are provided in the Supply Estimates Manual, available on gov.uk.

The outturn vs estimate column is based on the total including virements. The estimate total before virements have been made is included so that users can tie the estimate back to the Estimates laid before Parliament.

SoPS 2 Reconciliation of outturn to net operating expenditure

£'000

		SoPS Note	2019-20	2018-19
Total Resource Outturn in Statement of Parliamentary Supply:		1.1	29,244,662	28,548,588
Add:	Capital grants		4,258,544	3,207,500
	Capital budget adjustments[1]		3,704	18,097
	Asset transfers		34,619	50
Less:	Income outside the ambit of the estimate payable to the Consolidated Fund	4.1	(189,178)	(180,994)
Net Operating Expenditure in Consolidated Statement of Comprehensive Net Expenditure			**33,352,351**	**31,593,241**

(1) The capital budget adjustments include profit on disposal of certain financial assets that is recorded in net operating expenditure in the financial statements but is not recorded in SoPS budgets and research and development costs which are recorded in net operating expenditure in the financial statements but are recorded in the capital budget rather than the resource budget in SoPS.

As noted in the introduction to the SoPS above, outturn and the Estimates are compiled against the budgeting framework, which is similar to, but different from, IFRS. Therefore, this reconciliation bridges the resource outturn to net operating expenditure, linking the SoPS to the Financial Statements. Reconciling items must be explained, if not already explained elsewhere, with reference to where and why budgeting rules diverge from IFRS. For example, capital grants are budgeted for as CDEL but accounted for as spend on the face of the SOCNE, and therefore function as a reconciling item between Resource and Net Operating Expenditure. £4.2 billion of capital grants were issued to local government for the purposes of funding capital spend by local authorities. Asset transfers in 2019-20 relate to Ebbsfleet Development Corporation assets that were reclassified outside the Departmental Group's accounting boundary during the year.

SoPS 3. Reconciliation of net resource outturn to net cash requirement for the year ended 31 March 2020

£'000

		2019-20		
	SoPS Note	Outturn	Estimate	Outturn vs Estimate, saving/(excess)
Total Resource Outturn	1.1	29,244,662	27,718,607	(1,526,055)
Total Capital Outturn	1.2	8,272,083	8,584,431	312,348
Adjustments to remove non-cash items:				
Depreciation and amortisation		(8,612)	(146,063)	(137,451)
New provisions and adjustments to previous provisions		(86,677)	(68,500)	18,177
Other non-cash items		(16,936,297)	(18,096,431)	(1,160,134)
Adjustments for ALBs:				
Remove voted resource and capital		(5,353,596)	(6,591,578)	(1,237,982)
Add cash grant-in-aid		4,503,933	3,624,364	(879,569)
Adjustments to reflect movements in working balances:				
Increase/(decrease) in inventories		114,726	-	(114,726)
Increase/(decrease) in receivables		45,520	-	(45,520)
(Increase)/decrease in payables		27,734	1,935,877	1,908,143
Use of provisions and pension fund adjustments		2,553	3,053	500
Other Adjustments		5,627	-	(5,627)
Net cash requirement		**19,831,656**	**16,963,760**	**(2,867,896)**

As noted in the introduction to the SoPS above, outturn and the Estimates are compiled against the budgeting framework, not on a cash basis. Therefore, this reconciliation bridges the resource and capital outturn to the net cash requirement.

SoPS 4. Amounts of income to the Consolidated Fund

SoPS 4.1 Analysis of income payable to the Consolidated Fund

In addition to income retained by the department, the following is payable to the Consolidated Fund (cash receipts being shown in italics).

£'000

	Outturn 2019-20		Outturn 2018-19	
	Accruals	*Cash basis*	Accruals	*Cash basis*
Income outside the ambit of the Estimate[1]	189,178	*189,178*	180,994	*180,994*
Other amounts collectable on behalf of the Consolidated Fund[2]	912,556	*912,556*	666,448	*666,448*
Total amount payable to the Consolidated Fund	**1,101,734**	***1,101,734***	**847,442**	***847,442***

(1) Monies received from local authorities for excess receipts generated from the disposal of housing assets (i.e. assets held under part 2 of the Housing Act 1985 accounted for in local authorities Housing Revenue Accounts). Referred to as CFER income (consolidated fund extra receipt) in Note 5 to the Financial Statements.

(2) Receipts in relation to the Help to Buy scheme as those home owners who are part of the scheme sell their homes and repay their equity loan.

SoPS 4.2 Consolidated Fund Income

Consolidated Fund income shown in SoPS Note 4.1 above does not include any amounts collected by the department where it was acting as agent of the Consolidated Fund rather than as principal. Full details of income collected as agent for the Consolidated Fund are in the department's Trust Statement published as part of the Annual Report and Accounts from page 143.

Parliamentary Accountability Disclosures

Financial Overview

Significant variances against Estimate

At the start of each year we estimate our costs for each budget type and we monitor these throughout the year. The size of our budget, along with economic, environmental and social changes means there will inevitably be some variance from our Estimates. The Statement of Parliamentary Supply on page 76 shows our 2019-20 outturn figures against Estimates.

Where the comparison of outturn against Estimate has shown an overspend or an underspend of more than £2 million and 10% this is explained below:

	Estimate Subhead	Outturn £m	Budget £m	Variance to Estimate %	Explanation
	Resource Spending in Departmental Expenditure Limit (RDEL) – MHCLG Communities				
E	Research, Data & Trading Funds	12	20	38%	Write offs for European Regional Development Fund (ERDF) programme schemes were lower than expected. In addition, favourable movements in the exchange rate led to a lower level of exchange rate losses on the ERDF programme than expected.
F	MHCLG Staff, Building and Infrastructure Costs	205	229	11%	Income from financial transactions was higher than planned, and the costs of our estate were lower than planned.
H	Housing and Planning (ALB) (Net)	73	322	77%	Income from financial transactions was higher than expected.
	Resource Spending in Departmental Expenditure Limit (RDEL) – MHCLG Local Government				
J	Other Grants and Payments	7,919	4,533	-75%	The 2019-20 variance relates to two COVID-19 measures that were introduced at the end of March 2020 to help local authority cash flows. The measures were to bring forward the payment of the 2020-21 Business Rates Reliefs grant payments worth £1.8 billion and the new COVID-19 response grant worth £1.6 billion. The Secretary of State approved these measures and they were paid on 27 March 2020.
	Resource Spending in Annually Managed Expenditure (RAME)				
L	Local Government & Public Services	54	66	19%	Accounting provisions relating to Grenfell Tower were recorded during the year and cost estimates were updated to more accurately reflect the department's expected costs to keep the site safe and secure. Refer to Note 15 in the Financial Statements for more information.
M	Housing and Planning	8	127	94%	The valuation of expected losses from financial guarantee liabilities was lower than expected. Following the reclassification of the Ebbsfleet Development Corporation out of the Departmental Group, £22 million budgeted for impairment of assets was not required.
N	Decentralisation & Local Growth	(2)	6	>100%	This relates to unrealised gains and losses and foreign exchange movements which are hard to predict. The budget was set to cover any potential unrealised losses but the overal final position is one of gain.
P	MHCLG Staff, building and infrastructure costs	(4)	2	>100%	Expenditure by the core department on creation and release/utilisation of provisions and revaluation of estates differed from budget.
Q	Non-Domestic Rates Outturn Adjustment	3	84	97%	Year end adjustments to the amounts due to local authorities were lower than expected (£80 million). It is usual practice to hold a contingency of £50 million for year end adjustments relating to non domestic business rates outturn. This was increased to £80 million this year because of delays with local authority audits.
S	Housing & Planning (ALB) (Net)	(234)	736	>100%	Impairments on housing market related assets owned by Homes England were lower than expected. There was also an AME credit to reflect changes in the valuation of the Help to Buy portfolio, driven by a slight increase in house prices over the course of 2019-20."
	Capital Spending in Departmental Expenditure Limit (CDEL) – MHCLG Communities				
A	Local Government & Public Services	14	48	71%	Grenfell Tower site management underspends were due to some expected costs being lower than initially forecast and also to changes in the delivery plans.

	Estimate Subhead	Outturn £m	Budget £m	Variance to Estimate %	Explanation
B	Housing and Planning	1,824	2,074	12%	The Building Safety Programme was launched in this financial year and spending is demand-led. Spending was lower than expected. Another significant contributor to the underspends relates to Help to Buy and Affordable Housing spend, where demand for the scheme was lower than expected.
F	MHCLG Staff, building and infrastructure costs	7	10	30%	The underspend relates to lower than expected spend on purchase of non-current assets, mostly relating to IT system improvements.

Core Tables[26] – Departmental Expenditure Outturn and Plans

The tables on the following pages show the department's expenditure outturn for 2019-20 and the four prior years, along with the planned expenditure for the next year.

Departmental Resource Spending

Spending in DEL – MHCLG Communities	2015-16 Outturn £'000	2016-17 Outturn £'000	2017-18 Outturn £'000	2018-19 Outturn £'000	2019-20 Outturn £'000	2020-21 Plan £'000
Voted expenditure						
Of which:						
A: Local Government & Public Services	399,405	207,171	136,549	174,145	169,653	80,015
B: Housing and Planning	1,472,648	1,822,372	1,765,527	1,573,280	1,630,816	1,768,501
C: Decentralisation & Local Growth	68,896	136,825	113,313	178,143	215,143	261,549
D: Troubled Families	72,335	170,807	213,618	174,369	155,028	165,000
E: Research, Data and Trading Funds	(5,530)	13,987	1,535	2,927	12,239	18,662
F: MHCLG Staff, Building and Infrastructure Costs	158,755	135,424	136,853	165,613	204,810	226,613
G: Local Government & Public Services (ALB) (net)	19,716	17,177	19,110	17,756	18,967	17,255
H: Housing and Planning (ALB) (net)	(12,308)	(15,518)	(14,975)	41,788	72,780	150,346
Total Voted	**2,173,917**	**2,488,245**	**2,371,530**	**2,328,021**	**2,479,436**	**2,687,941**
Non voted expenditure						
Housing and Planning	(358)	-	-	-	-	-
Other Non-Voted resource						
Total Non Voted	(358)	-	-	-	-	-
Total Spending in DEL – MHCLG Communities	**2,173,559**	**2,488,245**	**2,371,530**	**2,328,021**	**2,479,436**	**2,687,941**
Spending in DEL – MHCLG Local Govt						
Voted expenditure						
Of which:						
I: Revenue Support Grant	9,532,754	7,205,326	3,799,502	1,378,997	653,053	1,612,644
J: Other grants and payments	1,223,544	998,629	2,904,792	3,450,911	7,918,502	15,338,665
K: Business Rate Retention	1,417	25,151	9,252	3,928	207	3,353
Total Spending in DEL – MHCLG Local Govt	**10,757,715**	**8,229,106**	**6,713,546**	**4,833,836**	**8,571,762**	**16,954,662**
Total Resource DEL	**12,931,274**	**10,717,351**	**9,085,076**	**7,161,857**	**11,051,198**	**19,642,603**
Spending in Annually Managed Expenditure (AME)						
Voted expenditure						
Of which:						
Local Government & Public Services	(102)	5,511	33,466	7,903	(2,254)	-
L: Housing and Planning	4,454	68,391	11,902	6,166	53,671	101,890
M: Research, Data and Trading Funds	6,424	1,625	(12,262)	(74)	-	2,000
N: MHCLG Staff, Building and Infrastructure Costs	2,961	(3,854)	6,171	1,267	(4,119)	(911)
O: Non-Domestic Rates Outturn Adjustment	-	656	30,167	(10,818)	2,586	300,000

26 The values within all the Core Tables for the years 2013-14 to 2016-17 have been adjusted to strip out outturn figures for any functions that have been transferred in or out of the department as part of machinery of government changes that have occurred since. The most significant change has been the transfer of the Fire Policy function which transferred to the Home Office on 1 April 2016.

Departmental Resource Spending

Spending in DEL – MHCLG Communities	2015-16 Outturn £'000	2016-17 Outturn £'000	2017-18 Outturn £'000	2018-19 Outturn £'000	2019-20 Outturn £'000	2020-21 Plan £'000
P: Local Government & Public Services (ALB) (Net)	408	2,428	803	2,354	2,550	2,541
Q: Housing and Planning (ALB) (Net)	34,238	77,745	143,962	174,887	(234,398)	1,498,500
R: Business Rate Retention	12,174,150	12,412,600	15,721,960	21,199,022	18,367,167	16,513,079
Decentralisation & Local Growth	7,282	2,000	1	5,802	8,261	6,100
Total Resource AME	**12,229,815**	**12,567,102**	**15,936,170**	**21,386,509**	**18,193,464**	**18,423,199**
Total Resource	**25,161,089**	**23,284,453**	**25,021,246**	**28,548,366**	**29,244,662**	**38,065,802**

Departmental Capital Spending

Spending in DEL – MHCLG Communities	2015-16 Outturn £'000	2016-17 Outturn £'000	*2017-18* Outturn £'000	2018-19 Outturn £'000	2019-20 Outturn £'000	2020-21 Plan £'000
Voted expenditure						
Of which:						
A: Local Government & Public Services	830,843	424,512	771,574	885,336	13,650	77,340
B: Housing and Planning	(7,937)	55,496	78,556	454,754	1,823,678	3,089,536
C: Decentralisation & Local Growth	1,328,023	1,756,812	1,455,050	1,190,461	928,837	1,763,346
D: Troubled Families	-	827	532	697	749	1,000
E: Research, Data and Trading Funds	-	21,188	2,210	3,072	4,509	788
F: MHCLG Staff, Building and Infrastructure Costs	(16,977)	4,652	6,545	13,923	6,963	10,000
G: Local Government & Public Services (ALB) (Net)	163	202	448	494	251	545
H: Housing and Planning (ALB) (Net)	1,715,215	2,850,232	4,318,690	4,875,032	5,493,446	5,908,797
Departmental Unallocated Provision	-	-	-	-	-	2,485,555
Total Spending in DEL – MHCLG Communities	**3,849,330**	**5,113,921**	**6,633,605**	**7,423,769**	**8,272,083**	**13,336,907**
Total Capital DEL	**3,849,330**	**5,113,921**	**6,633,605**	**7,423,769**	**8,272,083**	**13,336,907**
Spending in Annually Managed Expenditure (AME)						
Voted expenditure						
Of which:						
L: Housing and Planning	207,035	-	-	-	-	-
Total Spending in AME	**207,035**	-	-	**–**	**–**	**–**
Total Capital	**4,056,365**	**5,113,921**	**6,633,605**	**7,423,769**	**8,272,083**	**13,336,907**

Administration budgets

	2015-16 Outturn £'000	2016-17 Outturn £'000	*2017-18* Outturn £'000	2018-19 Outturn £'000	2019-20 Outturn £'000	2020-21 Plan £'000
B: Housing and Planning	41,715	38,240	36,963	36,022	-	-
F:MHCLG Staff, Building & Infrastructure Costs	156,697	133,430	135,418	161,039	198,661	211,130
G: Local Government & Public Services (ALB)(Net)	19,716	17,177	19,110	17,756	18,967	17,255
H: Housing and Planning (ALB)(Net)	57,237	53,350	32,222	39,485	26,433	93,160
Total Voted	**275,365**	**242,197**	**223,713**	**254,302**	**244,061**	**321,545**
Housing and Planning - Contingency Fund Advance	(358)	-	-	-	-	-
Total Non Voted	**(358)**	**–**	**–**	**–**	**–**	**–**
Total Administration expenditure	**275,007**	**242,197**	**223,713**	**254,302**	**244,061**	**321,545**

Interpreting the Core Tables

Below, we have provided detail to help explain significant movements on the estimate row lines shown in the core tables above.

The rows called Departmental Unallocated Provision represent small unallocated budgets in both Resource DEL and Capital DEL which exist to help fund programmes in the future should the need arise.

Administration costs are included within the first section below regarding the Resource DEL - Communities budget.

Resource DEL – Communities

- A: Local Government & Public Services - From 2017-18, the Valuation Office Agency budget for business rate valuation and appeals transferred to HMRC resulting in a fall in outturn from that year onwards. EU Exit - Local Government costs have been budgeted to peak in 2019-20 and will reduce in 2020-21.
- B: Housing and Planning - Expenditure increases in 2019-20 included additional spend on the Voluntary Right to Buy Pilot (£103 million) and Rough Sleeping (£57 million), which is partially offset by a reduction in the New Homes Bonus (£30 million). For 2020-21 increased expenditure is planned in Preventing Homelessness (£57 million) and for the removal of dangerous cladding from high rise buildings in line with Government policy known as non-ACM remediation (£20 million).
- C: Decentralisation and Local Growth - The funding split of some devolution deals changed between 2018-19 and 2019-20, which resulted in an increase in RDEL of £7.5 million and a decrease in CDEL of the same amount. Other expenditure increases were in the Future High Street Fund and the Towns Fund.
- D: Troubled Families - Payments on this programme are demand-led, with payment made in accordance with the programme results achieved by Local Authorities. The budget for 2020-21 has been allocated to match with expected delivery
- E: Research Data and Trading Funds - The row includes a budget for potential write offs and exchange rate losses that may be incurred on the European Regional Development Fund (ERDF) programmes. Such spending varies from year to year.
- F: MHCLG Staff, Building and Infrastructure - The increase in our resource administration spend supported the employment of additional resources to deliver expanded programmes. These flexibilities include the retention of income from fees and charges to offset the costs of running the department (income is reflected on Estimate Row H). In 2019-20, we generated income in excess of the income cap, which was returned to HM Treasury. HM Treasury agreed to further flexibilities including a budget switch from Capital DEL budget to Resource Admin budget to support increased spending on housing Capital DEL programmes.
- H: Housing and Planning (ALB) (net) - The increase in expenditure can be attributed to additional spend on a number of programmes including the Home Building Fund - long term fund and also to the additional costs incurred in Resource DEL budgets to support expanding housing Capital DEL programmes. This is offset by an increase in fees and charges from investments which are classified as administration by HM Treasury.

Resource DEL – Local Government

- I: Revenue Support Grant - Part of the department's remit is to manage and provide funding to local government on behalf of central government. 10% of Local Government Resource DEL will be paid as Revenue Support Grant in 2020-21. This funding can be spent by local authorities on any service. The value of Revenue Support Grant has increased in 2020-21 following the ending of the 75% Business Rates Retention Pilots, who had forgone their allocations of Revenue Support Grant in 2019-20.

- J: Other Grants and Payments - In 2018-19 there is an increase in the value of the Business Rates Reliefs given to local authorities and Adult Social Care Winter Pressures grant. The increase in 2019-20 is due to the Better Care Fund grant reaching £1.8 billion (£1.1 billion in 2017-18) and the inclusion of the new Social Care grant (£410 million). In addition, at year end Ministers directed the department to bring to pay £3.4 billion of grants in 2019-20 that were due in 2020-21. In 2020-21 the value of LG DEL has been increased by additional Business Rates Reliefs in response to COVID-19, worth £11.4 billion, this increase is offset by the bringing forward of the other Business Rates Reliefs, worth £1.7 billion, to payment in 19-20.
- K: Business Rates Retention - The row provides budget for the safety net payments to local authorities whose income from business rates is below a baseline level.

Resource AME

- L: Housing and Planning - Outturn has risen over recent years due to the increasing scope of the department's housing portfolio and larger expected exposure to changes in land values.
- M: Research, Data and Trading Funds - The row provides budget for unrealised losses on foreign exchange movements that may occur as a result of the department's work as the Managing Authority of the ERDF programme.
- N: MHCLG Staff, Building and Infrastructure - The row provides budget for the creation and release of the core department's provisions. Note 15 provides more detail.
- O: Non-Domestic Rates Outturn Adjustment - The row contains a £300 million budget for 2020-21 which has been set aside for outturn adjustments against prior year business rates expenditure.
- P: Local Government and Public Services (ALB) (net) - The row records the pension costs of the Valuation Tribunal Service (VTS) and the Commission for Local Administration in England (CLAE).
- Q: Housing and Planning (ALB) (net) - The department has set aside increasing budgets for AME to cover potential impairments or devaluations in the Group's portfolio of financial assets, including the Homes England interest in Help to Buy properties. The amount used each year has been much lower than budgeted as these impairments or devaluations have not materialised. The basis of measurement changed in 2018-19 with the application of IFRS 9.
- R: Business Rates Retention - Since 2013-14, local authorities have retained at least 50% of the business rates they collect, which forms a significant portion of their income. Retained business rates are recorded as a non-cash expenditure item in the department's accounts and the amount estimated to be retained by local authorities in 2019-20 is £18.1 billion. This is a reduction to the 2018-19 estimate and reflects an introduction of 75% business rates retention following the end of the 100% business rate pilots in 2018-19.

Capital DEL - Communities

- A: Local Government & Public Services - 2019-20 expenditure predominantly relates to loans and grants awarded to the Greater London Authority as part of the London Settlement. This includes funding made available for the Affordable Homes Programme.
- B: Housing and Planning - Planned expenditure is on an increasing trajectory from 2017-18 as a result of investments in the National Productivity Infrastructure Fund. There was also increased expenditure for Cladding Remediation and further work on Brent Cross Thameslink Station. For 2020-21, additional expenditure is planned for removal of dangerous cladding from high rise buildings in line with Government policy (known as non-ACM remediation) (£1 billion) and the Help to Buy programme (£610 million).
- C: Decentralisation and Local Growth - The budget profile for the Local Growth Fund was agreed at the last Spending Review. The budget was set to incrementally reduce between 2016-17 and 2019-20 and then increase in 2020-21. Outturn has broadly followed this budget profile.

- D: Troubled Families - The row records expenditure on research and development for the Troubled Families programme which was reclassified as capital expenditure by HM Treasury from 2016-17.
- E: Research, Data and Trading Funds - The row records other capital expenditure on research and development.
- F: MHCLG Staff, Building and Infrastructure - The row records the core department's expenditure on the purchase of non-current assets, mostly relating to IT system improvements.
- G: Local Government and Public Services (ALB)(net) - The row records capital expenditure on the purchase of non-current assets by two ALBs: the Valuation Tribunal Service (VTS) and the Commission for Local Administration in England (CLAE).
- H: Housing and Planning (ALB)(net) - Expenditure on the Help to Buy programme remains a significant proportion of the budget and expenditure is planned to continue increasing in 2020-21. The figures also include a significant increase in expenditure on both the Affordable Homes programme from 2017-18, and on the Home Building Fund from 2016-17.

Regularity of Expenditure (subject to audit)

Losses, special payments and gifts

Managing Public Money and the FReM require the department to produce a statement showing losses and special payments by value and by type. Where cases individually exceed £300,000, details of those cases must be disclosed.

	2019-20				2018-19			
	Core Department and Agency		Departmental Group		Core Department and Agency		Departmental Group	
	Cases	£'000	Cases	£'000	Cases	£'000	Cases	£'000
Losses (general)	26	14	71	35	23	7	100	17
Claims abandoned	9	5,137	41	59,454	53	5,962	83	17,762
Fruitless payments	14	458	14	458	-	-	-	-
Constructive losses	-	-	-	-	-	-	-	-

	2019-20				2018-19			
	Core Department and Agency		Departmental Group		Core Department and Agency		Departmental Group	
	Cases	£'000	Cases	£'000	Cases	£'000	Cases	£'000
Special Payments	99	4,269	99	4,269	96	3,403	96	3,403

In the normal course of administering the European Regional Development Fund (ERDF) and the Regional Growth Fund (RGF), which is now closed, the department pays grants to projects. When the project does not spend the grant in line with the conditions of the grant, the department seeks to recoup the funds. Where funds cannot be recouped, they are written off. There were two RGF and one ERDF write-offs each greater than £300,000.

Planning Inspectorate: The Planning Inspectorate was, using an external third party supplier, developing and implementing a software architecture solution. Following an in-depth project review it was determined that this solution no longer provided an effective platform for ongoing maintenance and change. This would have impacted the Inspectorate's ability to respond to new business or customer requirements in a timely manner, compromising future improvement.

Homes England: Under International Financial Reporting Standard 9: Financial Instruments (IFRS 9) for assets which are measured at amortised cost, a write-off amount is recognised in the Financial Statements when it is considered that there is no realistic prospect of full recovery. This is aligned with the FReM requirement to disclose losses in this note for the attention of Parliament at the earliest point at which a loss is expected.

Homes England is required to consider the effect of discounting future cash flows (to reflect the present value of the anticipated recovery) in order to determine the required write-off allowance for accounting purposes. The losses recognised here include an element of this discounting effect, which will subsequently be unwound in future years as interest income on the impaired balance.

Under the requirements of IFRS 9, Homes England is required to consider whether a financial asset investment meets the definitions of a basic lending arrangement in order to establish whether the investment should be measured at Amortised Cost or at Fair Value. There are a number of loan investments which are managed operationally in line with the Agency's loan management processes however from an accounting point of view are measured at Fair Value through Profit or Loss (FVTPL). Where it has been assessed that there is no realistic prospect of full recovery for such loan investments, these have also been disclosed in this note.

During 2019/20 there were six cases of loan losses recognised where the amount written off or impaired for accounting purposes was in excess of £300,000 totalling £53,447,000.

Homes England: there were six cases of loan losses recognised, as required Under International Financial Reporting Standard 9: Financial Instruments (IFRS 9), where the amount written off or impaired for accounting purposes was in excess of £300,000 totalling £53,447,000. More detailed information on these losses can be founded in Homes England's 2019-20 Annual Report and Accounts

Losses

Cases over £300,000	£'000
Two RGF payment recovery write offs each greater than £300,000 (claims abandoned)	3,951
One ERDF payment recovery write off greater than £300,000 (claims abandoned)	646
Planning Inspectorate: payment for software architecture solution (fruitless payment)	455
Homes England: Loans written off	53,447

Special Payments

Cases over £300,000	£'000
Three ex-gratia payments each greater than £300,000	1,987

Ex-gratia payments are payments without a contractual basis. Three ex gratia payments were made which were over £300k. Special payments related to ex-gratia payments to Local Authorities who could evidence that they were disadvantaged by the National Non-Domestic Rates (NNDR) guidance error in relation to the Business Rates Retention (BRR) scheme. Further information on the error is provided on page 46 of the Accountability Report.

Gifts, as defined by Managing Public Money, must also be disclosed and detailed where the value is greater than £300,000. Neither the department, nor its ALBs made any reportable gifts in 2019-20 (2018-19: nil).

Fees and Charges (subject to audit)

The following information provides an analysis of the services for which a fee is charged.

£'000

	2019-20			2018-19		
Objectives	Full Cost	Income	Surplus/ (Deficit)	Full Cost	Income	Surplus/ (Deficit)
Planning Inspectorate - Local plans, major specialist casework and national infrastructure	(20,450)	14,310	(6,140)	(14,505)	12,931	(1,574)
Planning Inspectorate - Local Plans	(6,807)	4,576	(2,231)	(5,383)	4,976	(407)
Planning Inspectorate - Other Major Specialist Casework	(4,540)	1,278	(3,262)	(4,273)	1,621	(2,652)
Planning Inspectorate - National Infrastructure	(9,103)	8,456	(647)	(4,849)	6,334	1,485
Membership of The Housing Ombudsman scheme	(6,007)	6,007	-	(5,968)	5,968	-
Homes England(1)	-	-	-	(4,762)	4,762	-
The Regulator of Social Housing(2)	(11,739)	11,739	-	(5,695)	5,703	8
Total	**(38,196)**	**32,056**	**(6,140)**	**(30,930)**	**29,364**	**(1,566)**

(1) Statutory fees in relation to the regulation of Registered Provider (RPs) were charged from 1st October 2017.
(2) RSH was previously part of the Homes and Communities Agency but became a standalone body in 2018-19.

MHCLG Core does not have any fees where the full cost was over £2m.

Ministerial Direction

The Annual Governance Statement explains the ministerial directions that occurred in the year. Further information is available on page 41.

Contingent liabilities not required to be disclosed under IAS 37 but included for parliamentary reporting and accountability purposes (subject to audit)

Quantifiable

The department has entered into quantifiable contingent liabilities by offering guarantees.

- The department operates a guarantee scheme for the affordable housing sector (AHGS), and at the accounting date £3.2 billion has been drawn down and is covered by the guarantee scheme. The AHGS closed to applicants in March 2016 and the programme is now in the portfolio management and monitoring phase, meaning there will be no new applicants or approvals. Therefore, there will be no further drawing against this scheme. The financial guarantees have been recognised in the Statement of Financial Position with a value of £27.7 million.
- The department has provided a Guarantee scheme for the private rented sector, guaranteeing debt of no more than £3.5 billion. At the accounting date, the department has approved borrowing of circa £1.8 billion of which £1 billion has been drawn down and is covered by the guarantee scheme. The guarantees have been valued in accordance with IFRS9 and have been recognised as a financial guarantee in the Statement of Financial Position with a value of £67.1 million.
- On the 7 May 2019, the department launched the ENABLE Build guarantee scheme, guaranteeing debt of no more than £1 billion. No approved borrowing had been drawn down at the reporting date.
- The department has provided a letter of comfort to the Queen Elizabeth II Conference Centre to confirm that a loan of up to £2 million will be provided if required, in accordance with the Framework Agreement between the department and the trading fund.

The department has not entered into any quantifiable contingent liabilities by offering indemnities.

Unquantifiable

The department has entered into the following unquantifiable contingent liabilities by offering guarantees, indemnities or by giving letters of comfort. None of these is a contingent liability within the meaning of IAS 37 since the likelihood of a transfer of economic benefit in settlement is too remote.

- The department provides a guarantee under the NewBuy scheme to underwrite a percentage of mortgage lending risk. These guarantees have been measured in accordance with IAS 37 as they do not fit the recognition criteria for a financial instrument under IFRS 9. Any liability arising as measured under IAS 37 is considered too remote for recognition as a contingent liability at the date of these accounts but is disclosed for parliamentary reporting and accountability purposes.
- The department has given an indemnity to the Official Receiver for the former Sahaviriya Steel Industries UK (SSI) Steel works site in Redcar, unlimited in value, to protect him against liabilities incurred in connection with activities undertaken by consultants carrying out site assessments activity on the site he had responsibility for keeping safe. An indemnity was also given to the South Tees Site Company (STSC) for the period when it held responsibility for keeping the site safe to cover all liabilities suffered or incurred as a result of the site assessment activity.
- On 29 March 2017, the UK government submitted its notification to leave the EU in accordance with Article 50. On 31 January 2020, the Withdrawal Agreement between the UK and the EU became legally binding and the UK left the EU. The future relationship between the EU and the UK will be determined by negotiations taking place during a transition period ending 31 December 2020. Any subsequent changes in legislation, regulation and funding arrangements are subject to the outcome of the negotiations.

- To strengthen local authorities' ability to enforce building safety remediation action, the department has indemnified the Joint Inspection Team (JIT) for professional indemnity and for death and personal injury claims resulting from their advice. The local authority retains responsibility for decisions on enforcement. The indemnity is unquantifiable and will continue for the duration of the period over which the JIT operates and 6 years thereafter for professional indemnity, and 125 years for death and personal injury.
- The department provides letters of comfort to ALBs in relation to their pension scheme liabilities. Ebbsfleet Development Corporation is no longer part of the Departmental Group for accounting purposes (see note 24) but the department continues to be responsible for governance arrangements and the letter of comfort continues to be in place.

Jeremy Pocklington CB
Accounting Officer
Ministry of Housing, Communities and Local Government

29 October 2020

The Certificate and Report of the Comptroller and Auditor General to the House of Commons

Opinion on financial statements

I certify that I have audited the financial statements of the Ministry of Housing, Communities and Local Government and of its Departmental Group for the year ended 31 March 2020 under the Government Resources and Accounts Act 2000. The Department comprises the core Department and its agency. The Departmental Group consists of the Department and the bodies designated for inclusion under the Government Resources and Accounts Act 2000 (Estimates and Accounts) (Amendment) Order 2020. The financial statements comprise: the Department's and Departmental Group's Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them.

I have also audited the Statement of Parliamentary Supply and the related notes, and the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the Department's and the Departmental Group's affairs as at 31 March 2020 and of the Department's net operating expenditure and Departmental Group's net operating expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Emphasis of matter – Valuation of Help to Buy Homes Equity Loans

I draw attention to the disclosures made in note 1.5 of the financial statements concerning the uncertainties inherent in the valuation of the Help to Buy home equity loans portfolio. Given the high sensitivity of the valuation of the portfolio to changes in assumptions about market prices and in addition the relatively unknown impact of the COVID-19 pandemic on the housing market, a considerable degree of uncertainty remains over the value of the Help to Buy home equity loan financial assets. Consequently, less certainty and a higher degree of caution should be attached to this valuation. My opinion is not modified in respect of this matter.

Qualified Opinion on regularity

In my opinion, except for the Excess Vote described in the basis for qualified opinion paragraph, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2020 and shows that those totals have not been exceeded; and
- the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for Qualified opinion on regularity

Parliament authorised a Resource Departmental Expenditure Limit MHCLG Local Government for the Departmental Group of £5,186 million and a Net Cash Requirement of £16,964 million. The Departmental Group incurred actual outturn of £8,572 million against the Resource Departmental Expenditure Limit MHCLG Local Government, breaching the authorised limit by £3,386 million. The Departmental Group incurred actual outturn of £19,832 million against the Net Cash Requirement, breaching the authorised limit by £2,868 million. Both breaches were due to the early payment of grants to local authorities, as shown in the Statement of Parliamentary Supply.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Ministry of Housing, Communities and Local Government in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the Ministry of Housing, Communities and Local Government's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Ministry of Housing, Communities and Local Government has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Ministry of Housing, Communities and Local Government's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the Ministry of Housing, Communities and Local Government's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the group financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.
- Conclude on the appropriateness of the Ministry of Housing, Communities and Local Government's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the group to cease to continue as a going concern.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Other Information

The Accounting Officer is responsible for the other information. The other information comprises information included in the annual report, but does not include the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;

- in the light of the knowledge and understanding of the group and the parent and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report; and
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

My report on the qualification in respect of the Excess Vote is at page 99.

Gareth Davies **Date 2 November 2020**
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

The Report of the Comptroller and Auditor General to the House of Commons

Introduction

The Ministry of Housing, Communities and Local Government ("the Ministry") is the government department responsible for driving up housing supply, increasing home ownership, devolving powers and budgets to boost local growth in England and supporting strong communities with excellent public services.

The net expenditure of government departments is authorised by the annual Supply and Appropriation Acts of Parliament and their associated Supply Estimates. These Acts set a series of expenditure limits on each department's spending, and net cash requirement. Expenditure beyond any of these limits is considered a breach of a control total and results in an 'Excess Vote'. Such expenditure potentially undermines parliamentary control over public spending. Where these limits are breached, I qualify my regularity opinion on the financial statements.

Parliament authorised a Resource Departmental Expenditure Limit MHCLG Local Government (RDEL Local Government) limit of £5,186 million for the Department in 2019-20 and a Net Cash Requirement of £16,964 million. This limit means that the Ministry was required to incur RDEL Local Government expenditure of less than £5,186 million and require net cash of less than £16,964 million in support of its expenditure. However, the outturn against the RDEL Local Government limit was £8,572 million, and the authorised limit was therefore breached by £3,386 million. The outturn against the Net Cash Requirement was £19,832 million, and the authorised limit was therefore breached by £2,868 million. I have therefore qualified my regularity opinion on the Ministry's financial statements in these respects.

Grants to Local Authorities (in relation to COVID-19)

The government announced in March that qualifying businesses could expect to receive support in the form of grants to help counteract the adverse financial effects bought about by the coronavirus pandemic. The Department for Business, Energy and Industrial Strategy ('the Department') has the responsibility of managing the schemes while the Ministry has agreed to act as its agent in the provision of funding to the local authorities who are administering the payments to the businesses. Funding was not due to be available to the Ministry from the Department until April 2020. At the same time, local authorities themselves have faced increased cash flow pressures due to the impact of the pandemic with falling revenues and increased costs.

As a result of these cash flow pressures, the Secretary of State issued a Ministerial Direction authorising the Ministry to bring forward to late March 2020 two grant funds it was due to pay to authorities in April 2020. This resulted in the Ministry incurring £3,400 million of additional expenditure in 2019-20 and utilising £3,400 million of cash.

Government departments prepare and agree two Supply Estimates during the year, the Main Estimate in or around May each year and the Supplementary Estimate before the year-end in or around February each year. At the time of submitting the Supplementary Estimate, the Ministry could not have anticipated the impact of the COVID-19 pandemic or the urgent action that it would require, as part of wider government intervention, to support the economy and local authorities. Therefore, the recognition of the £3,400 million expenditure and £3,400 million additional cash requirement meant that the Department exceeded two control totals, as detailed on page 41 of the Annual Report. This breach requires an Excess Vote from HM Treasury and leads to a regularity qualification in the audit opinion.

Gareth Davies **2 November 2020**
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Financial Statements

Consolidated Statement of Comprehensive Net Expenditure

For the year ended 31 March 2020 *All activities are continuing*

This account summarises the expenditure and income generated and consumed on an accruals basis. It also includes other comprehensive income and expenditure, which include changes to the values of non-current assets and other financial instruments that cannot yet be recognised as income or expenditure.

£'000

		2019-20		2018-19	
	Note	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Staff Costs	3	192,700	315,478	152,803	251,611
Operating Expenditure	4	34,707,076	36,392,355	33,495,162	34,671,824
Operating Income	5	(2,925,580)	(3,355,482)	(3,157,426)	(3,330,194)
Grant-in-aid to ALBs		4,503,933	-	4,143,550	-
Net Operating Expenditure for the year ended 31 March		**36,478,129**	**33,352,351**	**34,634,089**	**31,593,241**
Total Expenditure		39,403,709	36,707,833	37,791,515	34,923,435
Total Income		(2,925,580)	(3,355,482)	(3,157,426)	(3,330,194)
Net Operating Expenditure for the year ended 31 March		**36,478,129**	**33,352,351**	**34,634,089**	**31,593,241**
Other Comprehensive Net Expenditure:					
Items that will not be reclassified to net operating expenditure:					
Net (Gain)/Loss on:					
Pension Schemes	16	(136,991)	(133,466)	27,460	(13,714)
Income tax on items in other comprehensive expenditure		-	(843)	-	5,891
Total comprehensive expenditure for the year ended 31 March		**36,341,138**	**33,218,042**	**34,661,549**	**31,585,418**

The Notes on pages 106 to 142 form part of these accounts.

Consolidated Statement of Financial Position

as at 31 March 2020

This statement presents the financial position of the Departmental Group. It comprises three main components: assets owned or controlled by the Group; liabilities owed to other bodies; and equity, the remaining value of the Group.

£'000

		31 March 2020		31 March 2019	
	Note	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Non-current assets					
Property, plant and equipment		24,005	35,782	26,620	34,862
Intangible assets		10,979	14,345	9,935	34,631
Investments in associates and joint ventures	6	5,000	75,936	5,000	52,149
Financial assets at fair value	7	148,675	14,976,942	106,224	11,983,729
Financial assets at amortised cost	9	278,386	1,103,780	341,469	1,216,695
Investment properties		67,656	67,656	72,752	72,752
Trade and other receivables	12	118,517	195,781	87,019	110,539
Total non-current assets		**653,218**	**16,470,222**	**649,019**	**13,505,357**
Current assets					
Inventories	11	177,594	1,175,666	62,868	915,602
Financial assets at fair value	8	-	183,954	-	70,086
Financial assets at amortised cost	10	114,000	664,946	65,165	584,143
Trade and other receivables	12	209,259	267,559	226,879	294,946
Cash and cash equivalents	13	-	-	256,592	543,099
Total current assets		**500,853**	**2,292,125**	**611,504**	**2,407,876**
Total Assets		**1,154,071**	**18,762,347**	**1,260,523**	**15,913,233**
Current liabilities					
Cash and cash equivalents	13	2,833,687	2,596,749	-	-
Trade and other payables	14	745,156	1,182,919	994,140	1,476,731
Provisions	15	30,429	30,753	4,554	5,025
Pensions	16	-	-	-	-
Total current liabilities		**3,609,272**	**3,810,421**	**998,694**	**1,481,756**
Non-current assets plus/less net current assets/liabilities		**(2,455,202)**	**14,951,926**	**261,829**	**14,431,477**
Non-current liabilities					
Trade and other payables	14	260,650	376,478	268,134	281,657
Provisions	15	72,279	84,734	14,030	26,442
Pensions	16	74,325	36,503	203,631	153,938
Financial guarantees		94,804	94,804	67,206	67,206
Total Non-current liabilities		**502,058**	**592,519**	**553,001**	**529,243**
Assets less liabilities		**(2,957,260)**	**14,359,407**	**(291,172)**	**13,902,234**
Taxpayers' equity					
General fund		(2,903,534)	14,362,872	(100,510)	14,035,825
Revaluation reserve		196	196	251	251
Pension reserve		(53,922)	(3,661)	(190,913)	(133,842)
Total taxpayers' equity		**(2,957,260)**	**14,359,407**	**(291,172)**	**13,902,234**

Jeremy Pocklington CB **29 October 2020**
Accounting Officer
Ministry of Housing, Communities and Local Government

The Notes on pages 106 to 142 form part of these accounts.

Consolidated Statement of Cash Flows

For the year ended 31 March 2020

The Statement of Cash Flows shows the changes in cash and cash equivalents of the Departmental Group during the reporting period. The statement shows how the department generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of service costs and the extent to which these operations are funded by way of income from the recipients of services provided by the group. Investing activities represent the extent to which cash inflows and outflows have been made for resources which are intended to contribute to the departments' future public service delivery.

£'000

		2019-20		2018-19	
	Note	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Cash Flows from Operating Activities					
Net Operating Expenditure	SoCNE	(36,478,129)	(33,352,351)	(34,634,089)	(31,593,241)
Adjusted for:					
Finance costs	4,5	(57,672)	(340,287)	5,761	(77,256)
(Profit)/loss on disposal of non-current assets	4,5	5	(12,705)	183	8,338
Depreciation and amortisation	4	8,612	13,432	5,613	9,481
Revaluation of non-current assets passing through the SoCNE	4	5,096	5,096	(7,730)	(7,730)
Impairment of non-current assets	4	7,493	(74,170)	7,328	99,112
(Increase)/decrease in inventories	11	(114,726)	(261,684)	84,552	11,791
Other non cash transaction	4,5	5,847	56,936	7,671	9,537
(Increase)/decrease in trade & other receivables		(45,520)	(44,241)	33,693	49,500
Increase/(decrease) in trade & other payables		(27,734)	23,937	(251,179)	(169,596)
Movement in provisions	4	86,677	86,648	2,070	(1,805)
Utilisation of provision	15	(2,553)	(2,613)	(3,773)	(13,673)
Pension fund adjustments	16	1,335	11,973	(3)	8,891
Local share (business rates retained by local authorities)	4	17,812,372	17,812,372	20,118,760	20,118,760
Adjustments for Corporation Tax		-	6,309	-	(2,199)
Adjustments for net operating (gains)/losses - asset transfers	4,5	-	21,265	-	50
Net Cash outflow from operating activities		**(18,798,897)**	**(16,050,083)**	**(14,631,143)**	**(11,550,040)**
Cash Flows from Investing Activities					
Purchase of property, plant and equipment		(3,854)	(9,511)	(12,983)	(17,380)
Purchase of intangible assets		(3,511)	(5,167)	(4,090)	(6,206)
Financial assets issued		(73,206)	(4,385,506)	(190,000)	(4,483,823)
Proceeds on disposal of financial assets		-	1,047,359	1,466	862,402
Repayment of financial assets	7,8,9,10	129,040	531,034	81,206	426,658
Interest received	5	40,696	109,752	15,227	74,068
Other adjustments - investing activities		(1,158)	2,029	1,154	(8,888)
Net Cash inflow/(outflow) from investing activities		**88,007**	**(2,710,010)**	**(108,020)**	**(3,153,169)**

£'000

	Note	2019-20 Core Department & Agency	2019-20 Departmental Group	2018-19 Core Department & Agency	2018-19 Departmental Group
Cash Flows from Financing Activities					
From the consolidated fund (supply) - current year		16,768,022	16,768,022	14,241,146	14,241,146
Capital element of payments in respect of finance leases		(4,469)	(4,469)	(4,065)	(4,065)
Interest paid	4	(5,382)	(5,748)	(5,604)	(5,606)
Foreign exchange movements	4,5	(7,846)	(7,846)	1,043	1,043
Net Cash inflow/(outflow) from financing activities		**16,750,325**	**16,749,959**	**14,232,520**	**14,232,518**
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		**(1,960,565)**	**(2,010,134)**	**(506,643)**	**(470,691)**
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		-	-	(1)	(1)
Payments due to the Consolidated Fund		(1,129,714)	(1,129,714)	(825,072)	(825,072)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		**(3,090,279)**	**(3,139,848)**	**(1,331,716)**	**(1,295,764)**
Cash and cash equivalents at the beginning of the period	13	**256,592**	**543,099**	**1,588,308**	**1,838,863**
Cash and cash equivalents at the end of the period	13	**(2,833,687)**	**(2,596,749)**	**256,592**	**543,099**

The Notes on pages 106 to 142 form part of these accounts.

Consolidated Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2020

This statement shows the movement in the year on the different reserves held by the Departmental Group, analysed into 'general fund reserves' (i.e. those reserves that reflect a contribution from the Consolidated Fund). The Revaluation Reserve reflects the change in asset values that have not been recognised as income or expenditure. The General Fund represents the total assets less liabilities of a department, to the extent that the total is not represented by other reserves and financing items. The Pension Reserve reflects actuarial gains/losses on pension schemes.

£'000

	Note	General Fund	Revaluation Reserve	Pension Reserve	Total Reserves
Balance at 31 March 2018		**10,801,822**	**251**	**(144,924)**	**10,657,149**
Changes in Accounting policy		(36,462)	-	-	(36,462)
Restated balance at 1 April 2018		**10,765,360**	**251**	**(144,924)**	**10,620,687**
Comprehensive Net Expenditure	SOCNE	(31,599,132)	-	13,714	(31,585,418)
Non cash charges - auditor's remuneration	4	416	-	-	416
Local share (business rates retained by local authorities)	4	20,118,760	-	-	20,118,760
Transfers between reserves		2,632	-	(2,632)	-
Total recognised income and expenses for 2018-19		**(11,477,324)**		**11,082**	**(11,466,242)**
Net Parliamentary Funding - drawn down		14,241,146	-	-	14,241,146
Net Parliamentary Funding - deemed supply		1,550,053	-	-	1,550,053
Supply (payable)/receivable		(195,968)			(195,968)
CFERs payable to the Consolidated Fund	SoPS4.1	(847,442)	-	-	(847,442)
Sub Total		**14,747,789**	**-**	**-**	**14,747,789**
Balance at 31 March 2019		**14,035,825**	**251**	**(133,842)**	**13,902,234**
Comprehensive Net Expenditure	SOCNE	(33,351,508)	-	133,466	(33,218,042)
Non cash charges - auditor's remuneration	4	423	-	-	423
Local share (business rates retained by local authorities)	4	17,812,372	-	-	17,812,372
Other adjustments to reserves		3,848	-	(3,684)	164
Transfers between reserves		(344)	(55)	399	-
Total recognised income and expenses for 2019-20		**(15,535,209)**	**(55)**	**130,181**	**(15,405,083)**
Net Parliamentary Funding - drawn down		16,768,022	-	-	16,768,022
Net Parliamentary Funding - deemed supply		195,968	-	-	195,968
CFERs payable to the consolidated fund	SoPS4.1	(1,101,734)	-	-	(1,101,734)
Sub Total of Net Parliamentary Funding and CFERs payable		**15,862,256**			**15,862,256**
Balance at 31 March 2020		**14,362,872**	**196**	**(3,661)**	**14,359,407**

The Notes on pages 106 to 142 form part of these accounts.

Core Department and Agency Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2020

£'000

	Note	General Fund	Revaluation Reserve	Pension Reserve	Total Reserves
Balance at 31 March 2018		**(333,446)**	**311**	**(163,453)**	**(496,588)**
Comprehensive Net Expenditure	SOCNE	(34,634,089)		(27,460)	(34,661,549)
Non cash charges - auditor's remuneration		416			416
Local share (business rates retained by local authorities)	4	20,118,760			20,118,760
Other adjustments to reserves					-
Transfers between reserves		60	(60)		-
Total recognised income and expenses for 2018-19		**(14,514,853)**	**(60)**	**(27,460)**	**(14,542,373)**
Net Parlimentary Funding		15,595,231	-	-	15,595,231
CFERs payable to the Consolidated Fund	SoPS4.1	(847,442)	-	-	(847,442)
Sub Total		**14,747,789**	**-**	**-**	**14,747,789**
Balance at 31 March 2019		**(100,510)**	**251**	**(190,913)**	**(291,172)**
Comprehensive Net Expenditure	SOCNE	(36,478,129)	-	136,991	(36,341,138)
Non cash charges - auditor's remuneration		423	-	-	423
Local share (business rates retained by local authorities)	4	17,812,372	-	-	17,812,372
Other adjustments to reserves		(1)	-	-	(1)
Transfers between reserves		55	(55)	-	-
Total recognised income and expenses for 2019-20		**(18,665,280)**	**(55)**	**136,991**	**(18,528,344)**
Net Parliamentary Funding - drawn down		16,768,022	-	-	16,768,022
Net Parliamentary Funding - deemed supply		195,968	-	-	195,968
CFERs payable to the consolidated fund	SoPS4.1	(1,101,734)	-	-	(1,101,734)
Transfers between reserves					
Sub Total		**15,862,256**	**-**	**-**	**15,862,256**
Balance at 31 March 2020		**(2,903,534)**	**196**	**(53,922)**	**(2,957,260)**

The Notes on pages 106 to 142 form part of these accounts.

Notes to the Departmental Accounts

Note 1. Statement of Accounting Policies

1. General

These consolidated financial statements have been prepared in accordance with the Accounts Direction issued by HM Treasury under section 5 (2) of the Government Resources and Accounts Act 2000.

The accounting policies adopted are in accordance with the 2019-20 Financial Reporting Manual (FReM) issued by HM Treasury and apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the Departmental Group for the purpose of giving a true and fair view has been selected.

2. Basis of consolidation

These Financial Statements consolidate those of the core department, the department's executive agency and those arm's length bodies (ALBs) which fall within the departmental boundary as defined by the FReM; these bodies make up the 'Departmental Group'. The Ministry of Housing, Communities and Local Government is the ultimate parent of the Departmental Group and its results, along with those of the department's executive agency, are presented in columns labelled 'Core Department & Agency'. Transactions between, and balances with, entities included in the Departmental Group are eliminated. A list of all those entities within the departmental boundary is given in Note 24.

3. Impact of standards and interpretations in issue but not yet effective

The department has adopted all IFRS, International Accounting Standards (IAS), International Financial Reporting Interpretations Committee (IFRIC) interpretations and amendments to published standards that were effective at 31 March 2020. The department has taken into account the specific interpretations and adaptations included in the FReM.

The department has assessed the following standards and amendments that have been issued but are not yet effective and determined not to adopt them before the effective date:

- IFRS 16 (Leases) has been effective since 1 January 2019 for the private sector and was planned to be introduced in the 2020-21 FReM to replace IAS 17 (Leases). Due to the impact on government departments of COVID-19 HM Treasury agreed with the Financial Reporting Advisory Board (FRAB) to defer the implementation of IFRS 16 in central government until 1 April 2021. This represents a one-year deferral from the initial effective date of 1 April 2020. The new standard amends the accounting for lessees, removing the distinction between recognising an operating lease (off balance sheet) and a finance lease (on balance sheet). The new standard requires recognition of all qualifying leases on balance sheet. The result will be recognition of a right to use asset, measured at the present value of future lease payments, with a matching liability. The pattern of recognition of the expenditure will result in depreciation of the right to use asset and an associated finance cost being recognised. It is not yet possible to quantify the impact on our accounts. The group's current value of commitments under operating leases (note 18) is £152m of which £137m relates to periods from 1 April 2021 onwards.

  The International Accounting Standards Board (IASB) has issued IFRS 17 (Insurance Contracts) which replaces IFRS 4 (Insurance Contracts). It is expected to be effective for accounting periods beginning on or after 1 January 2023, following IASB decisions to defer the effective date. Guidance has yet to be issued to government departments on the interpretation of this standard.

4. Segmental reporting

In accordance with IFRS 8: Operating Segments (IFRS 8), the department has considered the need to analyse its income and expenditure relating to operating segments. The department's operating costs are analysed into four operating segments. Activities in respect of Finance and Corporate Services, Strategy, Communications and Private Office are not reported as a segment as these are all administrative functions. They do not meet the specified criteria of a reportable segment in line with IFRS 8 because they do not directly impact on performance. The department does not consider that assets and liabilities can be meaningfully allocated to segments and manages and reports on assets and liabilities as a single block. Therefore, in accordance with IFRS 8, no breakdown of assets and liabilities by segment is given. See Note 2 for operational disclosures.

5. Significant estimates and judgements

The preparation of the financial statements requires management to make estimates and judgements that affect amounts reported. Estimates and judgements are based on knowledge of current facts and circumstances, historic experience and other relevant factors. Where significant estimates and judgements have been made, the relevant accounting policy or note to the accounts will provide further details. Note 17 sets out significant estimates and judgements in relation to Financial Instruments.

Impact of COVID-19 on the financial statements

There is a consensus that, as at 31 March 2020, economic conditions had shifted markedly as a result of the COVID-19 pandemic, and the impact of this change must be reflected appropriately in financial reporting. Consideration of the effects of changes to market conditions on critical accounting judgements and key sources of estimation uncertainty as a result of the pandemic is set out below, including consideration of areas where valuation uncertainty is increased by the unavailability of data.

Applying metrics from possible alternative post-COVID scenarios to model changes to asset values allows us to estimate the potential future effect of COVID-19. We have modelled three scenarios: rapid recovery, central scenario and slow recovery. There is uncertainty surrounding the potential future impact of COVID-19 on asset values, with a £4.3 billion range in anticipated values across the three scenarios based on the market conditions associated with each scenario at March 2021. Within this £4.3 billion range, it should be noted that the greatest contributor is the Help to Buy programme, where potential changes in house prices under the COVID-19 slow recovery scenario are estimated to have an impact of over £4 billion on portfolio asset values.

The COVID-19 central scenario sees the aggregate value of the portfolio of assets fall by £1.5 billion during 2020-21, with March 2021 being the point when asset values are lowest. This contrasts with the COVID-19 slow recovery scenario, where asset values reduce through the year and are estimated to be £4.3 billion lower at March 2021, with further falls of around £0.3 billion expected under this scenario during 2021-22. Finally, under the COVID-19 rapid recovery scenario, only home equity assets are expected to fall initially in 2020-21 (£0.5 billion down at their low-point) and the economy recovers in the second half of the year, with overall asset values expected to be £0.02 billion down at 31 March 2021 compared to March 2020. This reflects a position where the market has substantially recovered, but where potential levels of mortgage arrears reduce the returns estimated from home equity assets.

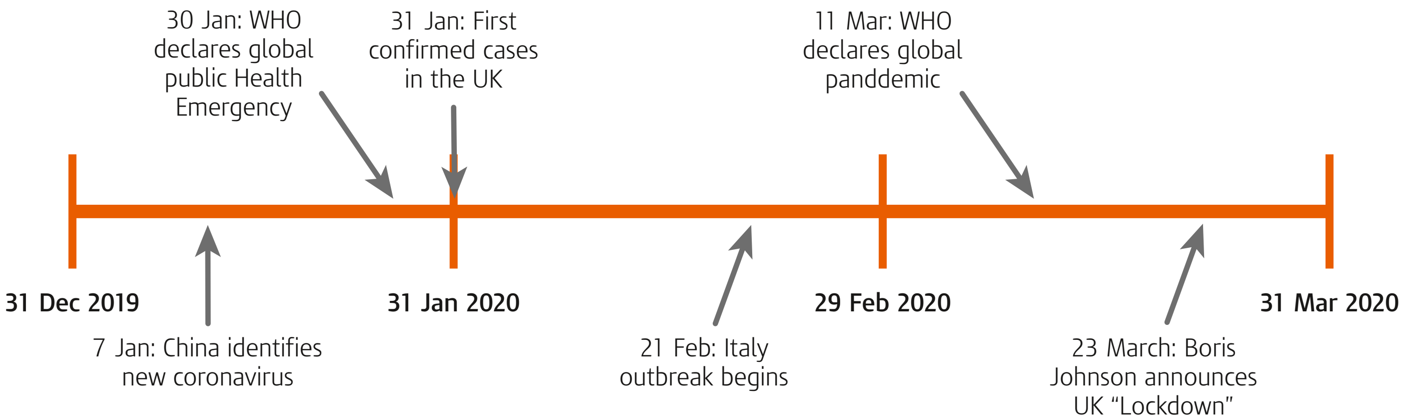
Background to COVID-19

Following confirmation of the first cases in England of COVID-19 by the Chief Medical Officer for England on 31 January 2020, the virus initially appeared to spread quite slowly, with low numbers of daily new cases reported until 4 March, after which the number of new daily cases increased quickly and a strict lockdown was announced on 23 March by the Prime Minister to bring the spread of the virus under control.

In considering whether the effects of COVID-19 should be reflected in the Financial Statements, it is important to consider whether events associated with COVID-19 are adjusting or non-adjusting (in accordance with International Accounting Standard 10: Events After the Reporting Period).

- An adjusting event provides evidence of conditions that existed at the end of the reporting period and may require adjustments in the financial statements.
- A non-adjusting event is indicative of conditions that arose after the reporting period. If the effect of these conditions is material, they should be disclosed, but would not require any adjustment of the figures disclosed for 2019-20.

The following timeline details key dates in relation to COVID-19 which are helpful in making this judgement in relation to the financial year-end of 31 March 2020:



There is a consensus that, as at 31 March 2020, economic conditions had shifted markedly as a result of the COVID-19 pandemic and the interruption to normal business activity due to the lockdown. As a consequence, we consider the COVID-19 pandemic to be an adjusting event and its impact must be reflected appropriately in financial reporting.

Since the start of the pandemic, significant work has been taking place in Homes England to monitor market conditions and consider the likely future impact. This has informed our forward assumptions and modelling.

Central guidance

When judging how to estimate the impact of COVID-19 on the Financial Statements, guidance issued by national and international authorities and professional bodies has been considered.

The Financial Reporting Council has issued guidance noting that making forward-looking assessments and estimates when preparing financial statements and providing other corporate reports is particularly difficult at this time. The Council highlights the need for entities to adequately consider the basis of any significant judgements when confirming the preparation of the financial statements on a going concern basis and the increased importance of providing information on significant judgements applied in the preparation of the financial statements, sources of estimation uncertainty and other assumptions made.

Banking regulatory bodies, such as the European Banking Authority, the European Securities and Markets Authority and the Bank of England (in a joint statement with the Prudential Regulatory Authority) have highlighted the need for entities not to make blanket assumptions concerning significant increases in credit risk, with the Prudential Regulatory Authority stating:

> *The PRA reminds firms that forward-looking information used to incorporate the impact of COVID-19 on borrowers into the expected credit loss (ECL) estimate needs to be both reasonable and supportable for the purposes of IFRS9. Given the sudden onset of the virus, the PRA believes that there is very little such information available as yet and regards the preparation of reliable and detailed forecasts as very challenging currently. In the event firms believe*

> *such forecasts can be made, the PRA expects firms to reflect the temporary nature of the shock, and fully take into account the significant economic support measures already announced by global fiscal and monetary authorities.*
>
> *In particular, any such forecasts should take into account the relief measures - such as repayment holidays - that will be made available to enable borrowers who are affected by the COVID-19 outbreak to resume regular payments.*

This guidance has been taken into account in preparing the 2019-20 Financial Statements, with particular emphasis on the assumptions for expected credit losses, where the estimate is particularly reliant on forward-looking information.

Critical accounting judgements and key sources of estimation uncertainty

The following disclosures provide information which allows users of the 2019-20 financial statements to understand the key judgements made in preparing the financial statements and sources of uncertainty as a result of COVID-19.

It is important to note that some estimates are based on market information as at 31 March 2020 and others are based on expectations of future performance. Broadly, our valuations fall into these categories as follows:

Asset type	Valued with reference to observed evidence of conditions & prices which existed at 31 March 2020	Valued with reference to expectations of future performance
Home equity loans, including Help to Buy	✓	
Loans measured at amortised cost: *Write-offs*	✓	
Loans measured at amortised cost: *Expected Credit Losses*		✓
Value of land and property assets		✓
Other Financial assets measured at fair value		✓

This means that potential future effects of COVID-19 on the housing market are not reflected in the value of the Help to Buy portfolio reported at 31 March 2020 and users of the accounts may wish to consider the future risks to the portfolio from changes in the economic environment as a result of COVID-19 which may have a significant impact on portfolio values.

Home equity loans, including Help to Buy: valuation uncertainty and emphasis of matter

Homes England's portfolio of Help to Buy assets is valued at £14 billion at 31 March 2020 and the residual portfolio of legacy equity loan assets is valued at just over £250m. Help to Buy is the most material item on the Departmental Group's Statement of Financial Position and there is significant valuation uncertainty in relation to house prices in 2019-20. This has resulted in the emphasis of matter on page 98.

These assets are valued with reference to regional house price indices (HPI), supplemented by adjustments for experience of actual disposals since the inception of the schemes. The effect of the lockdown was that market activity reduced significantly and there were clear concerns that house prices might suffer a reduction in values. The Office for National Statistics (ONS) published HPI data for March in May 2020, which did not show a fall in house prices and which we have used as the basis of our asset valuations at year-end. However, ONS has also announced that, following publication of the March HPI data, it is suspending the publication of house price indices in anticipation that transaction volumes are reduced significantly by the market shutdown, making the level of transactions too low to reliably measure changes in prices.

Following the subsequent reopening of the market, the Office for National Statistics (ONS) recommenced publication of HPI in August, including revisions to indices for previous months. Revisions to the index at March 2020 do not significantly change the index previously published and data for later months shows prices generally increasing. We are therefore content that no additional adjustments are needed to reflect the effect of COVID-19 on home equity asset values as at 31 March 2020.

Refer to Note 17 for a market risk analysis which considers how the valuation of this portfolio would change with movements in house prices and sensitivity analysis, which looks at the key modelling assumptions and illustrates the effect of varying them.

The potential impact of payment holidays on first charge balances has not been factored into valuations as this was initiated late in March 2020 and is unlikely to have had an impact until April 2020.

Loans measured at amortised cost: Write-offs and Expected Credit Losses

The two components of loans measured at amortised cost which are impacted by COVID-19 are asset-level write-offs, where specific evidence of impairment has been identified, and the Expected Credit Loss allowance, where a portfolio-level estimate of future losses is made in accordance with International Financial Reporting Standard 9: Financial Instruments (IFRS 9).

Homes England's Watchlist process continually assesses individual investments for evidence of impairment and, whilst little evidence emerged during the strict lockdown period to support such judgements, Homes England has had significant contact with borrowers since some lockdown restrictions were lifted. Homes England's discussions with developers have mainly centred on short-term liquidity issues. No significant evidence of impairment as a result of COVID-19 requiring the recognition of an accounting write-off has been identified in the period after 31 March 2020 until these financial statements were produced and presented to the National Audit Office for audit. In accordance with IAS 10, we have continued to assess new information up until the time at which the financial statements were published and have identified no further instances of distress which would require adjustments to be made prior to publication.

IFRS 9 requires an Expected Credit Loss allowance calculation to be performed with reference to the level of credit risk and performance of each investment. The determination of the risk associated with each asset is a key judgement by management as the result determines whether a 12-month loss allowance or a lifetime loss allowance is calculated for that asset. The Expected Credit Losses are calculated by comparing the estimated balance at the time of default against moderated security values (calculated by applying Modified Security Value (MSV) percentages to gross security values to estimate the likely value which might be realised from a sale of security in distressed circumstances). This is then multiplied against an associated Probability of Default (PD) percentage value for the relevant loss calculation period. The PD percentage value applied is determined based on the Credit Risk Rating of the associated asset using industry metrics for default.

Whether a 12-month loss allowance or a lifetime loss allowance is calculated for each asset is determined in accordance with IFRS 9, based on whether there has been a Significant Increase in Credit Risk (SICR) after the investment was first made. In line with the work done to consider whether any specific write-off adjustments are required, Homes England's Watchlist process has also considered whether there is evidence of a Significant Increase in Credit Risk (SICR), taking the guidance issued by the PRA into account. This was only identified in a handful of cases in the period after 31 March 2020 until these Financial statements were produced and presented to the National Audit Office for audit and was considered in producing Homes England's estimate of Expected Credit Losses. In accordance with IAS 10, we have continued to assess new information up until the time at which the financial statements were published and have identified no further instances of SICR which would require adjustments to be made prior to publication.

In addition to calculating either 12-month or lifetime loss allowances, IFRS 9 also requires consideration of how the calculation would vary under alternative economic scenarios. Homes England achieves this by varying the application of PD assumptions to the same base loan data for each scenario modelled. In addition, during 2019-20 Homes England has varied the MSVs applied to the expected credit loss allowance calculation performed under each economic scenario, to reflect the relative expected discount on gross security values in a distressed situation for each economic scenario. The results calculated for each scenario are then used to calculate an unbiased, weighted-average loss allowance. This is done by using the relative likelihood of each scenario, based on Homes England's view of their relative probability.

Details of key modelling assumptions which have been varied in response to the COVID-19 pandemic are as follows:

Economic scenarios and relative weightings:
The economic scenarios applied to inform the expected credit loss allowance calculation were specifically developed by the Homes England's Economics Team in response to the COVID-19 pandemic. They were produced for stress testing and sensitivity testing and reflect a wide range of scenarios produced by expert forecasters, with the resultant COVID-19 central scenario being broadly consistent with scenarios produced by the Bank of England and others. Together, they provide an unbiased range of possible outcomes, as required by IFRS 9.

The decision on how to weight these scenarios against the central scenario was derived from expert judgement within Homes England and the department. The weightings applied for the Financial Statements are as follows:

COVID-19 central scenario	COVID-19 slow recovery scenario	COVID-19 rapid recovery scenario
60%	30%	10%

Probability of default (PD):
Basic values for the probability of default associated with each credit risk rating are obtained from Moody's Analytics. This data reflects conditions pre-COVID and requires adjustment to be appropriate for the revised economic scenarios determined by the Economics Team in response to COVID-19. Homes England's Risk Team performed this work, employing the same methodology to determine the PDs that is used for Homes England's annual stress-testing exercise, which is subject to an appropriate level of internal governance and challenge.

Moderated security values (MSVs):
The economic metrics determined for each of the three scenarios include measures which estimate how development land values may change over time in response to each scenario. Because security held against the investments are mainly land, this makes it possible to moderate the security values applied to limit losses on default under each scenario, resulting in a more appropriate expectation of likely losses.

Refer to Note 17 for a sensitivity analysis which illustrates the effect of varying these assumptions.

Market value of land and property assets

Valuations for land and property assets are performed by internal and external valuers when there is evidence of a change in value but in all cases where the net realisable value of the asset was more than or equal to £5m in the preceding year. Valuations are required to adhere to the current edition of RICS Valuation - Professional Standards, i.e. Red Book valuations. The valuation methodology reflects the objectives and conditions for each asset.

The annual valuation exercise has been carried out against the backdrop of the COVID-19 pandemic. Valuation assessments have been made on the evidence available to valuers at the time. It is acknowledged therefore that there is uncertainty attached to the valuations. Reflecting this, firms supporting Homes England's year-end valuation exercise have been directed by the Royal Institute of Chartered Surveyors (RICS) to include the following statement in their valuation report and valuers have issued a material valuation uncertainty disclaimer:

As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

Our valuation(s) is / are therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty - and a higher degree of caution - should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of this property under frequent review.

The inclusion of the 'material valuation uncertainty' declaration does not mean that the valuation cannot be relied upon. Rather, it highlights that due to the current extraordinary circumstances linked to the COVID-19 pandemic, less certainty can be attached to the valuations then would otherwise be the case.

The valuers have confirmed there was still enough market evidence to value the asset professionally and the valuer stands behind their opinion of value. From June 2020, we have contacted valuers to enquire whether their opinion has changed. The general consensus at the time that these financial statements were produced and presented to the National Audit Office for audit was that there was insufficient evidence to determine whether there has been a material change in asset values. We are comfortable that this does not present a material issue in the valuation. In accordance with IAS 10, we have continued to assess new information up until the time at which the financial statements were published and have identified nothing which would require adjustments to land valuations reported at 31 March 2020 to be made prior to publication. Valuers also note that there is significant scope for asset values to be impacted negatively by the effects of COVID-19 in the short-term. Our calculations indicate that if average values fell by around 10%, this would have an impact of c. £70m on the portfolio. We are continuing to monitor and stress test both our portfolio and individual projects to understand potential impacts of falls in values.

Other Financial assets measured at fair value

Other than the Private Rented Sector Real Estate Investment Trust (PRS REIT), which is measured with reference to published unit prices, all other financial assets measured at fair value are held in the level 3 hierarchy under International Financial Reporting Standard 13: Fair Value Measurement (IFRS 13) and are valued with reference to discounted cashflows.

Loans measured at Fair Value Through Profit or Loss (FVTPL)
Where loans do not meet the requirements under IFRS 9 to be accounted for at amortised cost, they are held at FVTPL. Despite this, they continue to be managed under the same operational controls as other loans and are subject to the same Watchlist processes, ensuring that any risks to recovery are identified, considered and reflected in forecast cashflows which are then used to inform the valuation of assets at year-end.

As with loans measured at amortised cost, no significant evidence of impairment as a result of COVID-19 has surfaced in the period after 31 March 2020 until these financial statements were produced. In accordance with IAS 10, we have continued to assess new information up until the time at which the financial statements were published and have identified no further instances of distress which would require adjustments to be made prior to publication.

Other level 3 financial assets measured at fair value:
Other level 3 financial assets measured at fair value are valued with reference to cashflow data maintained for individual assets by project managers and, whilst subject to individual scrutiny, are not subject to the same oversight as loans which are subject to the regular Watchlist process. This is because the investments are not primarily subject to credit risk but were made on the basis of sharing the risk in an underlying development. Oversight of these investments requires regular updates to the forecast performance of the underlying development which may not have been refreshed by project managers following the COVID-19 lockdown in time to be used for the accounts. This is because information from the underlying investment may not have been available in the time before these Financial statements were produced. In accordance with IAS 10, we have continued to assess new information up until the time at which the financial statements were published and have identified no changes to forecasts which would require adjustments to be made prior to publication.

To help illustrate the sensitivity of these assets to variation in forecast returns, our calculations indicate that if average values fell by around 10%, this would have an impact of c. £23 million on the portfolio.

Defined benefit pensions

The value of the defined benefit pension assets and liabilities have been assessed by qualified independent actuaries. In making these assessments, it is necessary for actuarial assumptions to be used which include future rates of inflation, salary growth, discount rates and mortality rates. Differences between those estimates used and the actual outcomes will be reflected in taxpayers' equity in future years.

Because assets managed under the pension schemes are mainly in quoted investments, the pension assets stated at year-end are less susceptible to valuation uncertainty due to COVID-19 than other balances disclosed in the financial statements. Of the £2.1 billion employer assets at 31 March 2020 disclosed in Note 16, only £226.3 million (10%) was investment in land and property and is subject to the uncertainty outlined above in relation to the land and property assets.

The discount rates used for scheme liabilities are derived from bond markets and so are determined with reference to published figures. COVID-19 did not create significant additional uncertainty for the calculation of the scheme liabilities as at 31 March 2020.

Potential impact on asset valuations from alternative economic scenarios during 2020-21

To aid users of the accounts in understanding the potential risks posed by COVID-19 to the Statement of Financial Position, we have used the scenarios developed by the Homes England Economics Team to inform the 2019-20 Expected Credit Loss allowance to estimate what the effect of each scenario might be on key asset classes.

By applying relevant metrics from these scenarios to key asset categories we can model the potential impact of COVID-19 on assets disclosed in the 2019-20 Financial Statements.

Home Equity Loans (including Help to Buy)

For home equity loans the principal drivers influencing changes to the valuation of assets under COVID-19 are house prices, the proportion of homeowners who go into arrears with their mortgage (for example as a result of redundancy) and the proportion of homeowners who are potentially repossessed by their first charge lender. The impact of the three developed scenarios is:

<table>
<tr><th></th><th>Market Price adjustment
(March 2021)</th><th>Market Price adjustment (low point modelled)</th><th>Adjustment to proportion of accounts in arrears</th><th>Adjustment to anticipated repossessions rate</th></tr>
<tr><td>COVID-19 rapid recovery scenario</td><td>+0.1%</td><td>-3%</td><td>+2.6%</td><td>+1.3%</td></tr>
<tr><td>COVID-19 central scenario</td><td colspan="2">-8.6%</td><td>+2.8%</td><td>+1.4%</td></tr>
<tr><td>COVID-19 slow recovery scenario</td><td>-19.3%</td><td>-19.8%</td><td>+3.1%</td><td>+1.6%</td></tr>
</table>

Loans

For loans measured at amortised cost, the Expected Credit Loss allowance (ECL) reflects a weighted average of the outcomes which might be expected under each of the three scenarios. To model the effect of each scenario individually we have considered the outputs from each individual scenario ECL calculation. In addition, we have considered whether the credit-risk stages of assets (based on an assessment of SICR) might change under each scenario.

For each of the first two scenarios, we do not consider it necessary to model an increased proportion of assets in stage 2. However, for the COVID-19 slow recovery scenario it is appropriate to reflect a situation where developers face a more difficult economic outlook and so we have applied calculation outputs with 50% of the population assumed to have experienced a significant increase in credit-risk. (This does not mean that 50% of the portfolio will default.)

In addition, for users' reference we have modelled the impact under each scenario if all assets were moved to stage 2 (indicating a significant increase in credit risk for all assets), with the modelling for the COVID-19 slow recovery scenario producing an increased ECL of £211 million under these assumptions.

	ECL as applied in the financial statements (10:60:30 ratio) (£m)	ECL if SICR stages are adjusted to stage 2 for 50% of portfolio (£m)	ECL if SICR stages are adjusted to stage 2 for 100% of portfolio (£m)
COVID-19 rapid recovery scenario	17	35	52
COVID-19 central scenario	63	92	122
COVID-19 slow recovery scenario	109	160	211

For loans measured at fair value through profit or loss (FVTPL), the fundamental contractual nature of these loans and primary exposure to variation in returns is comparable with loans measured at amortised cost and so the ECL percentages estimated for the loans measured at amortised cost are considered to be a suitable measure to estimate how asset values will vary under different economic scenarios.

	Basic ECL calculated for the scenario (£m)	ECL as a % of gross loans at amortised cost (31 March 2020)
COVID-19 rapid recovery scenario	14	1.0%
COVID-19 central scenario	53	3.7%
COVID-19 slow recovery scenario	141	9.8%

Land

The scenarios modelled by our Economics Team include specific metrics for changes in development land values.

<table>
<tr><th></th><th>Market Price adjustment (March 2021)</th><th>Market Price adjustment (low point modelled)</th></tr>
<tr><td>COVID-19 rapid recovery scenario</td><td>+3.2%</td><td>No fall predicted</td></tr>
<tr><td>COVID-19 central scenario</td><td colspan="2">-8.5%</td></tr>
<tr><td>COVID-19 slow recovery scenario</td><td>-12.9%</td><td>-26.2%</td></tr>
</table>

Other level 3 financial assets measured at fair value

Because development returns are similar in nature to net development values, which are often used to determine development land values, we have applied the metrics used for development land values to provide indicative adjustments to gross development return expectations for other level 3 financial assets measured at fair value and then added additional adjustments to discount expected receipts by a further period of time, in line with the GDP performance recovery periods modelled by the Economics Team. As they are speculative and have an immaterial effect, these assumptions have not been applied to estimate asset valuations for the 2019-20 financial statements.

<table>
<tr><th></th><th>Market Price adjustment (March 2021)</th><th>Market Price adjustment (low point modelled)</th><th>Delay modelled to the timing of receipts</th></tr>
<tr><td>COVID-19 rapid recovery scenario</td><td>+3.2%</td><td>No fall predicted</td><td>6 months</td></tr>
<tr><td>COVID-19 central scenario</td><td colspan="2">-8.5%</td><td>12 months</td></tr>
<tr><td>COVID-19 slow recovery scenario</td><td>-12.9%</td><td>-26.2%</td><td>24 months</td></tr>
</table>

6. Inventories

The Departmental Group property and development assets, consisting of land and buildings, are valued in accordance with IAS2.

A valuation of the whole portfolio is carried out as at each reporting date by both internal and external qualified valuers, with independent external valuers appointed for the majority of the portfolio's value and also to value complex properties. The determination of the portfolio value, by its nature, involves a significant amount of estimation uncertainty and accordingly, is a significant estimate within the accounts. In all cases valuations are in accordance with the 'RICS Valuation - Global Standards 2017' Red Book published by the Royal Institution of Chartered Surveyors.

A receivable (net of VAT) from the disposal of development property assets is recognised when there is a legally binding sale agreement, which has become unconditional and irrevocable by the end of the reporting period, subject to any provisions necessary to cover residual commitments relating to the property. This receivable is classed as a fair value through profit or loss financial asset under IFRS9.

Claims for payment to 2007-13 and 2014-20 European Regional Development Fund (ERDF) projects are initially charged against work in progress and only recognised as an expense once certified as compliant with the ERDF Regulations, such that the related ERDF income can be recognised. Where any amounts charged to work in progress subsequently fail certification, recovery of the cost is sought from projects. Further details about the ERDF balances included in these accounts can be found in Annex B.

7. Financial Assets

Classification of financial assets

Two criteria are used to determine how financial assets should be classified and measured under IFRS 9:

- The business model for managing the asset; and
- The contractual cash flow characteristics of the financial asset

The measurement categories reflect the nature of the cash flow and the way they are managed. The three categories are:

- financial assets measured at amortised cost;
- financial assets measured at fair value through other comprehensive income (FVOCI); and
- financial assets measured at fair value through profit or loss (FVTPL).

The contractual cash flow characteristics are either:

- financial assets held to collect cash flows only; or
- the assets are held to collect cash flows and to sell.

The department's financial assets are initially measured at fair value but are classified into those subsequently measured at either amortised cost or fair value through profit and loss, in accordance with IFRS9. Financial assets are measured at Amortised Cost if they are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and their contractual cash flows represent solely payments of principal and interest (SPPI). Other financial assets are measured at fair value through profit or loss.

Amortised cost assets

Amortised cost assets comprise loans to public and private sectors and the QEII public dividend capital (PDC) balance. These loans meet the SPPI test because they are solely payments of principal and interest and are not linked to other valuation movements such as property prices. The FReM specifies that PDC is held at amortised cost. The department holds these assets to collect cashflows with no intention of selling.

For amortised cost assets, an expected credit loss allowance is calculated based on the probability of a loss (or default) occurring, and the estimated value of the loss, taking into account the value of any collateral available to the department. The probability of loss is calculated based on credit ratings. The loan exposure is calculated based on projecting contractual cashflows into the future which are adjusted based on assumptions of potential arrears and wider economic factors. The value of collateral available to the department is calculated based on the expected value of properties constructed under the loans, which is adjusted for distressed sale conditions and wider economic assumptions. The impairment calculation is set at 12 months of expected credit losses unless there has been a significant increase in credit risk, when it increases to the lifetime expected credit loss. The simplified approach of recognising the lifetime expected credit loss is applied to trade receivables.

The methodologies used to determine the expected credit loss are considered to be an area of estimation and judgment within the accounts. The assumptions which can have a significant impact on the Expected Credit Loss Allowance calculation are as follows:

- Probability of Default: Probability of Default values are determined with reference to current economic conditions. The Probability of Default values are applied to each Investment in relation to their Credit Risk Rating.
- Economic Scenarios and relative Weightings: The Standard requires the department to consider alternative economic scenarios in the calculation of the Expected Credit Loss Allowance. For each identified scenario, variations are made to the Probability of Default values applied based on an individual investment's Credit Risk Rating. The amount of change applied is dependent on the scenario. Weightings are applied to the Expected Credit Loss calculations for each scenario, determined in relation to the probability of each scenario occurring, with reference to current market and credit risk expectations.
- Loss Given Default (LGD) Floor: A minimum percentage value has been applied to the LGD calculation with reference to individual investments. This is in line with the requirements of IFRS 9, where historic data is insufficient to provide an evidence base for anticipated losses on default. At 31 March 2019 and at 31 March 2020 the LGD floor applied was 35%.
- Moderated Security Values (MSVs): To reflect the expected value which might reasonably be realised from the sale of security in the event of default, MSV percentages are applied to gross security values to determine a measure of Loss Given Default (when compared against the estimated exposure on default). The MSVs are varied depending on the type of security held. A lower MSV percentage results in a higher discount applied to the determined security values.

Fair value through profit or loss

Fair value through profit or loss assets comprise the Help to Buy asset portfolio, property investments and other financial assets that are not SPPI. The department expects to hold these assets until they are derecognised when the underlying property assets are sold by the owners. The department therefore does not hold them for collection of contractual cashflows or for sale. The cashflows due to the department from these assets are variable subject to movements in the housing market, so do not consist of solely payments of principal and interest.

Where assets are to be measured at fair value, this is performed with reference to the requirements of International Financial Reporting Standard 13 Fair Value Measurement (IFRS 13), applying considerations which follow the three hierarchies set out under the standard for determining fair value. Note 17 provides further detail on how the department measures fair values.

The department holds no financial assets measured at fair value through other comprehensive income.

8. Financial Liabilities

The department's financial liabilities including trade and other payables are measured at amortised cost. The valuation of provisions is an area of estimate and judgement.

9. Financial Guarantees

The department provides Affordable Housing Guarantees (AHG) over borrowing to Private Registered Providers to facilitate access to borrowing at competitive interest rates to fund the building of affordable housing. The guarantees are recognised in line with IFRS9 at the higher of initial fair value and expected loss, with a probability-weighted model used as the basis of the accounting valuation.

The department provides Private Rented Sector guarantees over borrowing to incentivise institutional investment in the supply of new, purpose built and professionally managed private rented sector homes. The guarantees are recognised in line with IFRS9 at the higher of initial fair value and expected loss, with the accounting valuation based on the lifetime fee that will be paid by the borrower in return for the guaranteed funds. This fee includes the cost of risk, administration costs and a fee to the department based on appropriate remuneration.

The department provides ENABLE Build guarantees over borrowing by smaller housebuilders. No guarantees had been recognised at the balance sheet date in relation to this scheme.

The methodology used to determine the fair value of the guarantees is considered to be an area of estimation and judgment within the accounts.

10. Principal Civil Service Pension Scheme

Past and present employees of the core department and agency are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). This comprises several schemes which are unfunded defined benefit schemes with varying contribution rules and rates. The department recognises the expected cost of employers' contributions over the period during which it benefits from employees' services by payments to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS and not recognised in these accounts.

For details of other pension schemes the department holds, please see Note 16. Employees of arm's length bodies (ALBs) are generally members of funded defined benefit schemes. More details of individual schemes are available in the annual accounts of the bodies concerned.

The valuation of pension liabilities is an area of estimate and judgement. The value of the department's and ALB's defined benefit pension assets and liabilities have been assessed by qualified independent actuaries. In making these assessments, it is necessary for actuarial assumptions to be used which include future rates of inflation, salary growth, discount rates and mortality rates. Differences between those estimates used and the actual outcomes will be reflected in taxpayers' equity in future years.

11. Income

Operating income relates directly to the operating activities of the department.

Business Rates income represents the tariff retention by the department and is accounted for in accordance with IFRS 15. As there are no performance obligations and the revenue is non-refundable, revenue is recognised when an equivalent to a taxable event has occurred, the revenue can be measured reliably and it is probable that the assisted economic benefits from the taxable event will flow to the collecting entity. All these elements must be satisfied. Revenue is determined via NNDR1 claim forms submitted by local authorities. The amounts recognised also include final adjustments to prior years' figures where eligibility has been confirmed by inclusion of audited figures in local authority NNDR3 (National Non-Domestic Rates Return [a submission whereby local authorities calculate their non-domestic rating income]).

Income from financial instruments is accounted for in line with IFRS 9.

12. Grants

Grants made or received by the department are recorded as expenditure or income respectively in the period that the underlying event or activity giving entitlement to the grant occurs, or with unringfenced grants on the occurrence of such other event giving rise to entitlement.

Grants to local authorities include the Revenue Support Grant which finances revenue expenditure and capital grants which finance non-current assets. These are agreed through the local government finance settlement. In addition, specific grants are distributed outside the settlement. The basis of specific grants varies but they are accounted for in line with the same criteria as set out above.

Grant-in-Aid payments from the core department to ALBs are paid only when the need for cash has been demonstrated by the body concerned. ALBs treat receipts of Grant in Aid as financing in accordance with the FReM. These transactions are eliminated on consolidation.

Grant payments may need to be recovered from recipients for a variety of reasons depending on the grant conditions. Where recoveries are made income is recognised at the point that the invoice, or other notice requiring repayment, has been issued.

Grant expenditure in respect of Business Rates is also recognised at the point at which eligibility is determined. Expenditure including the notional charge for the local share is determined via NNDR1 claim forms and NNDR3 returns (see note 4). The local share refers to the business rates that local authorities retain under Business Rates Retention. The department records notional income to reflect the rates due to the department and a notional grant to local authorities for the amount that they are permitted to retain.

Grant expenditure and income in respect of ERDF is also recognised at the point at which eligibility is determined. Further details about the ERDF balances included in these accounts can be found in Annex B.

Note 2. Operating costs by operating segment

The department's operating costs are analysed into four operating segments. Activities in respect of Finance and Corporate Services, Strategy, Communications and Private Office are not reported as a segment as these are all administrative functions. They do not meet the specified criteria of a reportable segment in line with IFRS 8 because they do not directly impact on performance.

Net programme expenditure against the four operating segments is shown in the following table. Programme expenditure on 'Research, Data and Trading Funds' and 'MHCLG staff, buildings and infrastructure' (Estimate Rows E and F in the Estimate) and administration expenditure is not allocated to segments and these form the reconciling items in Note 2.1.

£'000

		2019-20					2018-19				
	Note	Local Government and Public Services	Troubled Families	Housing and Planning	Decentralisation and Growth	Total	Local Government and Public Services	Troubled Families	Housing and Planning	Decentralisation and Growth	Total
Gross Expenditure	SoPS1.1	28,778,428	155,777	5,896,680	1,466,531	36,297,416	28,832,030	175,066	3,548,686	1,944,926	34,500,708
Income	SoPS1.1	(1,590,160)	-	(1,096,498)	(322,551)	(3,009,209)	(1,775,256)	-	(650,802)	(576,318)	(3,002,376)
Net Expenditure		**27,188,268**	**155,777**	**4,800,182**	**1,143,980**	**33,288,207**	**27,056,774**	**175,066**	**2,897,884**	**1,368,608**	**31,498,332**

The department does not consider that assets and liabilities can be meaningfully allocated to segments and manages and reports on assets and liabilities as a single block. Therefore, in accordance with IFRS 8, no breakdown of assets and liabilities by segment is given.

2.1 Reconciliation between operating segments and CSoCNE

The table below shows the small difference between expenditure analysed in Note 2 and total expenditure in our Consolidated Statement of Comprehensive Net Expenditure. It relates to the income and expenditure of the activities not included in Note 2 as operating segments along with non-budget income the department passes to HM Treasury.

£'000

	Note	2019-20 Total	2018-19 Total
Total net expenditure reported for operating segments	2	**33,288,207**	**31,498,332**
Reconciling items:			
Income		(346,273)	(327,818)
Expenditure		276,108	414,904
Total net expenditure per Statement of Comprehensive Net Expenditure	SoCNE	**33,218,042**	**31,585,418**

Note 3. Staff Costs

£'000

		2019-20		2018-19	
	Notes	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Staff Costs		192,700	315,478	152,803	251,611

The Staff Report, page 65, contains a full breakdown of staff costs.

Note 4. Operating Expenditure

£'000

	Notes	2019-20 Core Department & Agency	2019-20 Departmental Group	2018-19 Core Department & Agency	2018-19 Departmental Group
Non-Cash Items					
Transfer out of Ebbsfleet Development Corporation		-	34,619	-	-
Depreciation and amortisation		8,612	13,432	5,613	9,481
Impairment of property, plant and equipment		319	(19)	4,906	4,589
Impairment of other financial assets		7,174	(28,639)	2,422	198,556
Revaluation of assets		5,096	5,096	(7,730)	(7,730)
Loss on disposal of assets		5	43	183	188
ERDF write-offs and disallowances		911	911	1,528	1,528
ERDF exchange rate losses (unrealised)		-	-	5,728	5,728
Auditors remuneration		423	423	416	416
Increase/decrease in provisions (provisions provided for in year less any release)	15	86,677	86,648	2,070	(1,805)
Write-off of bad debt		4,514	55,603	5,727	7,593
Net interest on pension scheme liabilities	16	5,137	3,706	4,534	3,829
Admin charge on pension assets	16	1,213	1,445	1,010	1,189
Share of loss of joint ventures and associates	6	-	(4,706)	-	(2,341)
Notional costs		127	127	134	134
Local share (business rates retained by local authorities)		17,812,372	17,812,372	20,118,760	20,118,760
Other non cash costs		259	259	9,705	9,705
Total Non Cash Items		**17,932,839**	**17,981,320**	**20,155,006**	**20,349,820**
Cash Items					
Rentals under operating leases		522	1,410	440	1,348
Accommodation including rentals under operating leases		16,065	25,792	34,030	44,697
Research and development		14,611	14,611	11,414	11,414
Legal and professional services		62,774	118,821	37,818	103,502
Consultancy		5,052	5,104	2,763	2,825
Marketing and communications		1,746	2,382	885	1,735
Training and development		3,699	4,985	4,945	5,941
Auditor's remuneration		45	655	51	660
IT expenditure		25,227	34,176	30,396	37,814
Travel and subsistence		5,193	9,710	4,496	7,933
Early retirement and voluntary exit costs		1,119	1,119	2,290	2,290
ERDF exchange rate losses (realised)		7,846	7,846	-	-
Interest payable		5,382	5,748	5,604	5,606
Taxation		2,224	12,753	4,398	5,285
ERDF grants		291,205	291,205	555,009	555,009
Revenue support grant and PFI grant		866,267	866,267	1,596,593	1,596,593
Business rates retention (top ups)		1,560,000	1,560,000	1,733,646	1,733,646
Other capital grants to local authorities		3,531,808	3,684,138	2,904,653	2,982,663
Other current grants to local authorities		10,334,053	10,335,643	6,370,407	6,385,070
Other grants		38,692	1,413,129	28,981	819,463
Other cash costs		707	15,541	11,337	18,510
Total Cash Items		**16,774,237**	**18,411,035**	**13,340,156**	**14,322,004**
Total		**34,707,076**	**36,392,355**	**33,495,162**	**34,671,824**

The external auditors total group fees (notional and cash) for all statutory audit work were £952,598. Of the £655,000 cash charge for auditor's remuneration, £530,098 relates to external audit fees and the remaining relates to other assurance work not performed by external audit.

Note 5. Operating Income

£'000

	Notes	2019-20 Core Department & Agency	2019-20 Departmental Group	2018-19 Core Department & Agency	2018-19 Departmental Group
Non Cash Items					
Asset transfers: capital grant in kind income		-	-	-	50
Gain on sale of non current assets and assets held for sale		-	(87,745)	-	(42,948)
Increase in fair value - FVTPL assets		(42,375)	(250,394)	-	(21,311)
Decrease in fair value - financial guarantees		7,816	7,816	(4,550)	(4,550)
ERDF exchange rate gains (unrealised)		(2,254)	(2,254)	-	-
Notional income		(128)	(128)	(134)	(134)
Total Non Cash Items		**(36,941)**	**(332,705)**	**(4,684)**	**(68,893)**
Cash Items					
CFER income		(189,178)	(189,178)	(180,994)	(180,994)
Grant income		(772,515)	(791,892)	(612,295)	(621,825)
ERDF grant income		(300,598)	(300,598)	(568,070)	(568,070)
Business rates retention (tariff)		(1,544,655)	(1,544,655)	(1,722,432)	(1,722,432)
Goods and services		(9,129)	(9,387)	(8,020)	(8,784)
Accommodation		(12,080)	(17,164)	(23,901)	(31,857)
Fees		(14,522)	(32,283)	(13,042)	(29,429)
ERDF exchange rate gains (realised)		-	-	(1,043)	(1,043)
Interest and dividends		(40,696)	(109,752)	(15,227)	(74,068)
Miscellaneous		(5,266)	(27,868)	(7,718)	(22,799)
Total Cash Items		**(2,888,639)**	**(3,022,777)**	**(3,152,742)**	**(3,261,301)**
Total		**(2,925,580)**	**(3,355,482)**	**(3,157,426)**	**(3,330,194)**

Note 6. Investments in associates and joint ventures

£'000

	Investment in Associates & Joint Ventures	Other Investments and Equity Schemes	Private Sector Loans	Public Sector Loans	Public Dividend Capital	Total Investments
Balance at 1 April 2018	**22,856**	**10,567**	**836,339**	**243,338**	**821**	**1,113,921**
Investments	16,219	135,868	633,844	193,934	-	979,865
Write down/Impairments	-	(26,038)	(1,801)	-	-	(27,839)
Repayments	-	-	(341,910)	(19,583)	-	(361,493)
Revaluation	-	17,190	-	-	-	17,190
Disposal	-	(154,161)	-	-	-	(154,161)
Profit/(loss) on JV or Associate	2,341	-	-	-	-	2,341
Reclassification	10,733	745,078	-	-	-	755,811
Transfers in/(out)	-	-	(116,930)	-	-	(116,930)
Transfer to receivables <1year	-	-	(94,536)	(65,165)	-	(159,701)
Balance at 31 March 2019	**52,149**	**728,504**	**867,629**	**348,245**	**821**	**1,997,348**
Reclassification	-	(728,504)	(867,629)	(348,245)	(821)	(1,945,199)
Balance at 31 March 2019	**52,149**	**–**	**–**	**–**	**–**	**52,149**
Investments	22,267	-	-	-	-	22,267
Redemptions	(3,187)	-	-	-	-	(3,187)
Profit/(loss) on JV or Associate	4,707	-	-	-	-	4,707
Balance at 31 March 2020	**75,936**	**–**	**–**	**–**	**–**	**75,936**
Of which:						
Core Department	5,000	-	-	-	-	5,000
Agencies	-	-	-	-	-	-
Designated bodies	70,936	-	-	-	-	70,936

Shares and Equity Investments relate to investments in associates £47,993,000 (2018-19: £22,600,000) and joint ventures £27,943,000 (2018-19: £29,549,000) and are accounted for in accordance with IAS 28 via the Equity method.

In 2019-20 £3.8m (2018-19: £4.2 million) was re-invested by Homes England into English Cities Fund from amounts previously repaid and a further £18.5m (2018-19: £nil) invested from the additional £25.0m commitment which was made available in 2017-18.

Investments of the core department relate to a 50% share in the Nottingham joint venture between the department and Alliance Boots Holdings Limited whose principal activity is site preparation works. Investments of designated bodies at 31 March 2020 include:

Name of undertaking	Share capital	Nature of business
English Cities Fund Limited Partnership	46%	Property development
Countryside Maritime Limited	50%	Development of land
Kier Community Living LLP	26%	Property development
Temple Quay Management Limited	24%	Property management company
Kings Waterfront (Estates) Limited	50%	Property management company
Pride in Camp Hill	33%	Regeneration of Camp Hill area of Nuneaton

Note 7. Financial assets at fair value through profit or loss: due after one year

£'000

	Investments in Help to Buy Programme	Other Investments & Equity Schemes	Due from Disposal of Land & Property	Total Non Current Financial Assets
Balance at 1 April 2018	**8,314,304**	**755,645**	**204,913**	**9,274,862**
Additions	3,530,582	135,868	(26,624)	3,639,826
Write down/Impairments	(43,355)	(26,038)	(5,537)	(74,930)
Fair value gains/(losses)	(2,667)	17,190	-	14,523
Disposal	(714,925)	(154,161)	(1,466)	(870,552)
Balance at 31 March 2019	**11,083,939**	**728,504**	**171,286**	**11,983,729**
Additions	3,592,937	191,992	44,707	3,829,636
Write down/Impairments	109,187	(13,858)	-	95,329
Fair value gains/(losses)	150,087	53,183	42,375	245,645
Disposal	(919,840)	(114,770)	-	(1,034,610)
Reclassification		(142,787)		(142,787)
Balance at 31 March 2020	**14,016,310**	**702,264**	**258,368**	**14,976,942**
Of which:				
Core Department	-	13,821	134,854	148,675
Agencies	-	-	-	-
Designated bodies	14,016,310	688,443	123,514	14,828,267

Investments in Help to Buy represent the entitlement to future income arising from financial assistance provided to homebuyers to enable them to buy houses, the majority of which arises from the Help to Buy scheme.

Other investments for the core department include the Coalfields Enterprise Fund and the Coalfields Growth Fund. Other investments of designated bodies include an investment in PRS REIT PLC (a quoted Real Estate Investment Trust) loans which did not meet the criteria for a basic lending arrangement (2019-20: £326.1 million. 2018-19: £197.5 million), investments in development and infrastructure projects with variable returns, the Housing Growth Partnership managed fund and overage, where future receipts are due on the disposal of land to third parties.

Amounts due from disposal of land and property are measured with reference to the underlying agreement. In the majority of cases the inclusion of an overage clause within the land sale agreement requires the receivable to be measured at fair value through profit or loss (FVTPL).

The valuation of Homes England's equity-loan mortgage portfolio is highly sensitive to changes in assumptions, in particular about market prices. Analysis showing the sensitivity of the portfolio valuation of these assets to market prices is shown in Note 17. In addition, an assessment has been undertaken in relation to the potential impact of COVID-19 on key judgements and assumptions. This is presented in the Accounting Policies.

Homes England is exposed to credit risk in relation to loans classified to Fair Value through Profit or Loss (FVTPL). The credit-risk exposure at 31 March 2020 in relation to these investments was £335.3 million.

Note 7.2 Financial Instruments – Recognised fair value measurements

£'000	2019-20 Level 1	Level 2	Level 3	Total
Financial assets held at fair value through profit or loss (FVTPL)				
Financial assets				
Investment in Help to Buy Programme	-	14,016,310	-	14,016,310
Other property investments		-	960,632	960,632
Investments	75,936	-	-	75,936
Total financial assets	**75,936**	**14,016,310**	**960,632**	**15,052,878**
of which				
Core Department	5,000	-	148,675	153,675
Agencies	-	-	-	-
Designated bodies	70,936	14,016,310	811,957	14,899,203
Total financial assets	**75,936**	**14,016,310**	**960,632**	**15,052,878**
Financial liabilities at fair value through profit or loss				
Financial guarantees	-	-	(94,804)	(94,804)
Other financial liabilities	-	-	(4,308,136)	(4,308,136)
Total financial liabilities	**-**	**-**	**(4,402,940)**	**(4,402,940)**
of which				
Core Department	-	-	(4,111,330)	(4,111,330)
Agencies	-	-	-	-
Designated bodies	-	-	(291,610)	(291,610)
Total financial liabilities	**-**	**-**	**(4,402,940)**	**(4,402,940)**

£'000	2018-19 Level 1	Level 2	Level 3	Total
Financial assets held at fair value through profit or loss (FVTPL)				
Financial assets				
Investment in Help to Buy Programme	-	11,083,939	-	11,083,939
Other property investments		-	899,790	899,790
Investments	52,149	-	-	52,149
Total financial assets	**52,149**	**11,083,939**	**899,790**	**12,035,878**
of which				
Core Department	5,000	-	106,224	111,224
Agencies	-	-	-	-
Designated bodies	47,149	11,083,939	793,566	11,924,654
Total financial assets	**52,149**	**11,083,939**	**899,790**	**12,035,878**
Financial liabilities at fair value through profit or loss				
Financial guarantees		-	(67,206)	(67,206)
Other financial liabilities		-	(1,943,793)	(1,943,793)
Total financial liabilities	**-**	**-**	**(2,010,999)**	**(2,010,999)**
of which				
Core Department	-	-	(1,551,695)	(1,551,695)
Agencies	-	-	-	-
Designated bodies	-	-	(459,304)	(459,304)
Total financial liabilities	**-**	**-**	**(2,010,999)**	**(2,010,999)**

Changes in level 3 Instruments Financial assets £'000	Other property investments
Balance 31 March 2018	**960,558**
Additions	119,977
Repayments/disposals	(155,627)
Reclassifications	(10,733)
Gains/losses recognised in SOCNE	(14,385)
Balance 31 March 2019	**899,790**
Additions	236,699
Repayments/disposals	(114,770)
Reclassifications	(142,787)
Gains/losses recognised in SOCNE	81,700
Balance 31 March 2020	**960,632**
of which	
Core Department	148,675
Agencies	-
Designated bodies	811,957
Balance 31 March 2020	**960,632**

Changes in level 3 Instruments Financial liabilities £'000	Financial guarantees
Balance 31 March 2018	**(54,567)**
Additions	(12,639)
Balance 31 March 2019	**(67,206)**
Additions	(27,598)
Balance 31 March 2020	**(94,804)**
of which	
Core Department	(94,804)
Agencies	-
Designated bodies	-
Balance 31 March 2020	**(94,804)**

Note 8. Financial assets at fair value through profit or loss: due within one year

£'000

	2019-20		2018-19	
	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Current financial assets at fair value through profit or loss	**–**	**183,954**	**–**	**70,086**

Note 9. Financial Assets held at amortised cost: due after one year

£'000

	Private Sector Loans	Public Sector Loans	Public Dividend Capital	Total Financial Assets held at amortised cost
Balance at 1 April 2018	**836,339**	**243,338**	**821**	**1,080,498**
Additions	633,844	193,934		827,778
Write down/Impairments	(1,801)	-		(1,801)
Expected loss allowance	(47,377)	(4,279)		(51,656)
Repayments	(341,910)	(19,583)		(361,493)
Transfers in/(out)	(116,930)			(116,930)
Transfer to receivables <1year	(94,536)	(65,165)		(159,701)
Balance at 31 March 2019	**867,629**	**348,245**	**821**	**1,216,695**
Additions	459,242	74,361	-	533,603
Write down/Impairments	(51,181)	-	-	(51,181)
Expected loss allowance	(14,067)	(6,685)	-	(20,752)
Repayments	(399,393)	(94,390)	-	(493,783)
Transfer to receivables <1year	(43,552)	(37,250)	-	80,802
Balance at 31 March 2020	**818,678**	**284,281**	**821**	**1,103,780**
Of which:				
Core Department	-	277,565	821	278,386
Agencies	-	-	-	-
Designated bodies	818,678	6,716	-	825,394

Public Sector Loans in the core department relate to loan facilities held with Greater London Authority and Manchester City Council. Private Sector Loans primarily relate to development loans and infrastructure loans. Public Dividend Capital relates to the financing of the QEII conference centre. Debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost.

Sensitivity of Expected Credit Losses to modelling assumptions

IFRS 9 requires an Expected Credit Loss allowance calculation to be performed with reference to the level of credit risk and performance of each investment. The determination of the risk associated with each asset is a key judgement by management as the result determines whether a 12-month loss allowance or a lifetime loss allowance is calculated for that asset. The Expected Credit Losses are calculated by comparing the estimated balance at the time of default against moderated security values (calculated by applying Modified Security Value percentages (MSVs) to gross security values to estimate the likely value which might be realised from a sale of security in distressed circumstances). This is then multiplied against an associated Probability of Default percentage value (PD) for the relevant loss calculation period. The PD value applied is determined based on the Credit Risk Rating of the associated asset using industry metrics for default.

In addition to calculating either 12-month or lifetime loss allowances, IFRS 9 also requires consideration of how the calculation would vary under alternative economic scenarios. This is achieved by varying the application of PD assumptions to the same base loan data. In addition, during 2019-20 by varying the MSVs applied to the ECL allowance calculation performed under each economic scenario, to reflect the relative expected discount on gross security values in a distressed situation for each economic scenario. The results calculated for each scenario are then used to calculate an unbiased, weighted-average loss allowance. This is done by using the relative likelihood of each scenario, based on a view of their relative probability.

The Expected Credit Loss model is highly sensitive to the modelling assumptions noted above, which are therefore considered to be a key judgement of management. To analyse the impact of the key assumptions applied at 31 March 2020, a sensitivity analysis has been performed in Note 17, which also provides an overview of the key modelling assumptions and how they are applied.

Note 10. Financial Assets held at amortised cost: due within one year

£'000

	Private Sector Loans	Public Sector Loans	Total current Financial Assets held at amortised cost
Balance at 31 March 2019	**518,978**	**65,165**	**584,143**
Transfer from receivables ›1year	31,968	48,835	80,803
Balance at 31 March 2020	**550,946**	**114,000**	**664,946**
Of which:			
Core Department	-	114,000	114,000
Agencies	-	-	-
Designated bodies	550,946	-	550,946

Note 11. Inventories

Inventories in respect of land and buildings relate to property and development land assets.

£'000

	2019-20		2018-19	
	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Land and buildings				
Opening balance at 1 April	**-**	**852,734**	**-**	**593,322**
Additions	-	357,311	-	237,847
Disposals	-	(152,806)	-	(61,103)
Transfers	-	(13,654)	-	-
Impairments	-	(45,513)	-	(104,033)
Closing balance Land and buildings as at 31 March	**-**	**998,072**	**-**	**852,734**
ERDF Work in Progress				
Opening balance as at 1 April	62,868	62,868	147,420	147,420
Payments to Projects	362,177	362,177	397,903	397,903
Disposals	(247,451)	(247,451)	(482,455)	(482,455)
Closing balance ERDF as at 31 March	**177,594**	**177,594**	**62,868**	**62,868**
Total inventory closing balance as at 31 March	**177,594**	**1,175,666**	**62,868**	**915,602**

Note 12. Trade and other receivables

£'000

	2019-20		2018-19	
	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Amount falling due within one year:				
Trade receivables	1,555	4,195	2,265	4,939
Deposits and advances	-	19	-	26
VAT receivables	2,981	3,027	2,488	3,850
Other receivables	111,781	166,548	53,224	116,536
ERDF accrued income	49,899	49,899	132,069	132,069
Prepayments and accrued income	43,043	43,871	36,833	37,526
Sub Total	**209,259**	**267,559**	**226,879**	**294,946**
Amounts falling due after more than one year:				
Trade receivables	-	(39)	-	1,072
Other receivables	42,333	119,636	28,482	50,930
ERDF advances	75,894	75,894	58,016	58,016
ERDF Accrued Income	-	-	-	-
Prepayments and accrued income	290	290	521	521
Sub Total	**118,517**	**195,781**	**87,019**	**110,539**
Total	**327,776**	**463,340**	**313,898**	**405,485**

Note 13. Cash and cash equivalents

£'000

	2019-20		2018-19	
	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Balance at 1 April	256,592	543,099	1,588,308	1,838,863
Net change in cash and cash equivalent balances	(3,090,279)	(3,139,848)	(1,331,716)	(1,295,764)
Cash Balance at 31 March	**(2,833,687)**	**(2,596,749)**	**256,592**	**543,099**
The following balances at 31 March were held at:				
Other bank and cash	-	15,492	-	35,446
Commercial banks and cash in hand	-	7,642	-	9,467
Government Banking Service	(2,833,687)	(2,619,883)	256,592	498,186
Balance at 31 March	**(2,833,687)**	**(2,596,749)**	**256,592**	**543,099**

The department held a negative cash balance with the Government Banking Service at year end because urgent COVID-19 payments were made to Local Authorities in March 2020 before a contingency fund advance was received from the consolidated fund in April 2020.

Note 14. Trade and other payables

£'000

	2019-20		2018-19	
	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Amounts falling due within one year:				
Taxation and social security	3,613	17,575	3,231	8,731
Trade payables	1,372	394,343	585	420,731
Other payables	81,687	101,485	80,322	124,838
Accruals	260,718	263,905	447,506	451,337
Finance lease	9,851	9,851	9,851	9,851
Deferred income	496	8,341	1,456	10,054
ERDF deferred income	239,049	239,049	194,597	194,597
Amount issued from the Consolidated Fund for supply but not spent(1)	-	-	195,968	195,968
NNDR payable to the Consolidated Fund(1)	115,725	115,725	-	-
Consolidated fund extra receipts to be paid to the Consolidated Fund -received	32,645	32,645	60,624	60,624
Sub Total	**745,156**	**1,182,919**	**994,140**	**1,476,731**
Amounts falling due after more than one year:				
Finance lease	81,160	81,160	85,630	85,630
ERDF deposits held	177,730	177,730	176,732	176,732
Other payables	-	107,579	3,161	8,260
Deferred income	1,760	10,009	2,611	11,035
Sub Total	**260,650**	**376,478**	**268,134**	**281,657**
Total	**1,005,806**	**1,559,397**	**1,262,274**	**1,758,388**

(1) The 'Amount issued from the Consolidated Fund for supply but not spent' represents the balance of the cash held in the department's bank account at year end that will be available for use on voted activities next year when it becomes 'Deemed Supply'. In 2019-20, the breach of the net cash requirement (NCR) results in neither a Consolidated Fund payable position nor receivable position for the year. National Non-Domestic Rates (NNDR) creditors cannot be netted off this position so are shown as a separate payable in 2019-20.

Note 15. Provisions for liabilities and charges

£'000

	2019-20		2018-19	
	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Opening balance at 1 April	18,584	31,467	20,287	46,945
Increase	90,634	90,652	3,625	3,640
Utilisation	(2,553)	(2,613)	(3,773)	(13,673)
Reversal	(3,957)	(4,017)	(1,555)	(4,313)
Unwinding of discount	-	(2)	-	(1,132)
Balance at 31 March	**102,708**	**115,487**	**18,584**	**31,467**
Of which:				
Current liabilities	30,429	30,753	4,554	5,025
Non-current liabilities	72,279	84,734	14,030	26,442
Balance at 31 March	**102,708**	**115,487**	**18,584**	**31,467**

Core department provisions comprise:

(i) Early retirement provisions

The department and its agency meet the additional costs of benefits beyond the normal Principal Civil Service Pension Scheme benefit for employees who retire early. An amount is paid annually to the Principal Civil Service Pension Scheme for the period between early departure and the normal retirement date. The department and agency provide for this in full when the early retirement becomes a binding liability.

(ii) The department's responsibility for the Grenfell Tower site

The department took ownership of the Grenfell Tower site in July 2019 and will manage the site until it has been made ready for future use and the community have determined an appropriate body for future ownership. Until then the Secretary of State is responsible for any significant operational decisions on site, including but not limited to the future of the Tower. No value has been recognised in property, plant and equipment, in relation to the site, due to a legal restriction put in place which prevents the land being used for any future purpose other than that determined by the community-led memorial process. The nil value reflects the accounting treatment for this restriction. HM Government has committed that the community-led Grenfell Tower Memorial Commission will seek views from the bereaved families, survivors and the community to develop a proposal for a fitting memorial and decide how the memorial will be owned and managed. The Commission have started their work to engage the community on proposals for a memorial. The provision relates to the department's responsibilities for keeping the site safe and secure and preparing the site for future use

(iii) Other provisions

In the core department, these provisions include claims made by staff and third parties against the department. The provision is calculated based on general experience of what the maximum for each type of claim is worth. Provisions are also made for dilapidations to comply with lease clauses for buildings which are occupied by the department. The department's dilapidation provisions are calculated based on the estimated cost of meeting future expenditure, in order to settle obligations in respect of lease clauses.

The rest of the Departmental Group provisions relate to Homes England. The Homes England Annual Report and Accounts provides further details.

Analysis of expected timing of discounted cashflows by type

£'000

	Early Retirement	Grenfell Tower Site	Other	Total
Not later than one year	2,584	–	2,441	5,025
Later than one year and not later than five years	837	–	25,605	26,442
Later than five years	-	–	-	0
Balance at 31 March 2019	**3,421**	**-**	**28,046**	**31,467**
Not later than one year	2,146	26,188	2,419	30,753
Later than one year and not later than five years	360	62,249	22,125	84,734
Later than five years	-	–	-	0
Balance at 31 March 2020	**2,506**	**88,437**	**24,544**	**115,487**

Note 16. Pensions

The core department is responsible for the Audit Commission Pension Scheme, a funded defined benefit scheme. The liabilities of this scheme are represented below in the Core Department & Agencies column. The staff of arm's length bodies are members of a number of different pension schemes; full details are available in the accounts of the bodies concerned. The assets and liabilities for these schemes are included in the Departmental Group column below.

£'000

	2019-20		2018-19	
	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Reconciliation of defined benefit obligation				
Opening balance	1,334,631	2,316,777	1,271,839	2,206,932
Current service cost	-	27,505	-	22,444
Interest charges	33,009	56,290	33,334	57,591
Admin charge on pension liabilities	-	(73)	-	(44)
Contribution by members	-	8,148	-	3,574
Remeasurement of (gains) /losses on liability	(149,974)	(211,910)	57,543	79,316
Past service cost/(gains)	1,335	3,807	-	125
Losses/(gains) on curtailment	-	(98)	-	-
Absorption transfers	-	(2,025)	-	-
Benefits paid				
Funded benefits paid	(31,276)	(56,168)	(28,082)	(52,518)
Unfunded benefits paid	-	(551)	(3)	(643)
Closing defined benefit obligation	**1,187,725**	**2,141,702**	**1,334,631**	**2,316,777**
Reconciliation of fair value of employer asset				
Opening balance	(1,131,000)	(2,162,839)	(1,101,209)	(2,053,189)
Interest income on scheme asset	(27,872)	(52,584)	(28,800)	(53,762)
Admin charge on pension assets	1,213	1,457	1,010	1,176
Contributions by members	-	(8,148)	-	(3,574)
Contributions by employer	-	(20,015)	-	(13,935)
Remeasurement of (gains)/losses on asset	12,983	78,178	(30,083)	(93,030)
(Losses)/gains on curtailment	-	1,422	-	957
Absorption transfers - Audit Commission Pension Scheme	-	1,016	-	-
Assets distributed on settlement	31,276	56,314	28,082	52,518
Closing fair value of employer asset	**(1,113,400)**	**(2,105,199)**	**(1,131,000)**	**(2,162,839)**
Closing net pension liability	**74,325**	**36,503**	**203,631**	**153,938**
of which:				
Funded	74,259	27,296	203,565	143,935
Unfunded	66	9,207	66	10,003

Audit Commission Pension Scheme (ACPS)

The ACPS is a defined benefit scheme. The scheme is a Registered Pension Scheme under the provisions of Schedule 36 of the Finance Act 2004. The provision of a Crown Guarantee takes the pension scheme out of certain regulatory provisions that would otherwise apply. This is a closed scheme. The duration of the scheme is 24 years.

The valuation of the scheme liabilities as at 31 March 2020 was completed by the department's independent actuaries using the projected unit method.

Financial overview of the ACPS

The pension scheme assets are held in a separate trustee-administered fund to meet long-term pension liabilities to past employees. The Scheme's assets have been invested as follows:

£'m

Fair Value of Scheme Assets	2019-20	2018-19
Diversified Growth Funds	590	724
Liability Driven Investment	334	215
Infrastructure	100	102
Property	89	79
Cash	–	11
Total	**1,113**	**1,131**

Overall, the Scheme's assets have decreased in value over the year to 31 March 2020. The Scheme invests in a Liability Driven Investment portfolio to mitigate the risks relating to interest rate and inflation rate changes. The net pension liability for the ACPS decreased from £203.6 million to £73.0 million over the year. This is mainly due to changes to the actuarial assumptions.

Principal assumptions

The financial assumptions used for purposes of the IAS 19 calculations for the five years to 2020 are shown in the table below.

	2020	2019	2018	2017	2016
Principal assumptions	% pa	% pa	% pa	% pa	%pa
Rate of inflation	2.70	3.35	3.25	3.30	3.05
Rate of salary increase	n/a	n/a	n/a	n/a	n/a
Discount rate for liabilities	2.25	2.50	2.65	2.70	3.40
Rate of increase of pensions in payment	2.70	3.35	3.25	3.30	3.05
Rate of increase of deferred pensions	2.70	3.35	3.25	3.30	3.05

The assumed life expectations on retirement at age 60 were: for males retiring today, 29 years (2018-19: 28 years), for females retiring today, 30 years (2018-19: 28 years) and for males retiring in 20 years, 30 years (2018-19: 30 years), for females retiring in 20 years, 32 years (2018-19: 30 years).

The following table shows the impact of a change in each of the principal assumptions used to value the scheme's liabilities.

Assumption	Change in assumption	Impact on scheme liabilities	Impact on scheme liabilities
Discount rate	Decrease by 0.5%	Increase by 11%	235
Rate of inflation	Increase by 0.5%	Increase by 10%	214
Rate of mortality	Mortality table rated down by one year	Increase by 4%	86

Note 17. Financial Instruments: Risk Management and Fair Value

The department oversees a portfolio of financial instruments (including loans, guarantees and Help to Buy) much of which is outside the appetite of other market investors and lenders. The portfolio is continuing to increase in size and is largely concentrated in a single sector, housing.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. As the cash requirements of the group are largely met through the Estimates process and central government's ability to borrow to raise funds, there is minimal liquidity risk.

Currency risk

The department has risks arising from foreign exchange in relation to the European Regional Development Fund (ERDF) programme. Further details about the ERDF balances included in these accounts can be found in Annex B. The following table shows the balances held by the department as at 31 March 2020 that are subject to exchange rate risk. (Exchange rate at 31 March 2020 £1 = €1.1306[26])

Currency Risks	Floating rate financial liabilities	
	£'000	€'000
Total assets at 31 March 2020	**125,794**	**142,222**
Total assets at 31 March 2019	190,086	220,595
Total liabilities at 31 March 2020	**(177,730)**	**(200,941)**
Total liabilities at 31 March 2019	(182,449)	(211,732)

The liabilities balance represents advance payments from the EU for the 2014-20 ERDF Programme.

The asset balance represents ERDF grant payments made but yet to be reimbursed from the EU. These balances are fixed in Euros being the Euro equivalent of the Sterling expenditure at the time the expenditure was certified using the 'Europa' rate.

To an extent, these balances act as a natural hedge whereby the loss that would arise on the liability balance from a weakening of Sterling would be offset by the gain on the asset balance and vice versa. This reduces but does not eliminate the risks.

The following table illustrates the impact of changes in the sterling to Euro exchange rate and assumes the level of balances remains constant.

Category	Balance at 31 Mar 2020	Euro Rate at 31 Mar 2020	Impact of rate change to			
	£'000		1:1.00	1:1.10	1:1.30	1:1.40
Assets	125,794	1.1306	£16m gain	£3m gain	£16m loss	£24m loss
Liabilities	(177,730)	1.1306	£23m loss	£5m loss	£23m gain	£34m gain
Net gain/loss	57,653		£7m loss	£2m loss	£7m gain	£10m gain

Market risk

The department and Homes England have completed a risk assessment for all live financial instruments exposed to market risk. Performance and changes in risk profile are monitored on a regular basis.

Homes England's results and reserves are dependent upon the prevailing conditions of the UK economy, especially UK house prices, which significantly affect the valuation of Homes England's assets. In particular, Homes England is exposed to significant market price risk in its equity-loan mortgage portfolio and land portfolio. Any market price movements are reflected in net expenditure for the period when an impairment is reported, or otherwise as changes in equity.

Homes England has performed a sensitivity analysis that measures the change in fair value of the financial assets held for hypothetical changes in market prices. The sensitivity analysis is based on a proportional change to all prices applied to the relevant financial instrument balances existing at the year end.

The table below shows the effect on net expenditure arising from movements in the fair value of these portfolios at 31 March 2020, before the effects of tax, if UK house prices had varied by the amounts shown and all other variables were held constant. This illustrates the impact of the mortgage providers' first charge, which disproportionately affects the estimated fair value when house prices reduce.

Modelled change in house prices	Estimated portfolio value (£m)	Incremental change in fair value recognised in net expenditure (£m)	Incremental change in fair value recognised in net expenditure (%)
20%	17,119.9	2,850.3	20.0%
10%	15,695.6	1,426.0	10.0%
0%	14,269.6	-	0.0%
-5%	13,550.3	(719.3)	-5.0%
-10%	12,724.1	(1,545.5)	-10.8%
-20%	10,122.1	(4,147.5)	-29.1%
-30%	7,163.5	(7,106.1)	-49.8%

Homes England also holds assets in relation to private sector developments, land sale overages and infrastructure. At 31 March 2020, if development returns had been 10% higher/lower and all other variables were held constant, the effect on net expenditure arising from movements in investments in private sector developments and infrastructure projects, before the effects of tax, would have been an increase/decrease of £25.2m/£25.2m from that stated.

Further sensitivity analysis is available in Homes England's Annual Report and Accounts.

The department is also exposed to market risk via the financial guarantees it provides over borrowing for affordable housing and private rented sector homes. More detail on the magnitude of those schemes can be found on page 93. Changes in the housing market may cause rental arrears or void properties which may have an impact on the borrower's ability to repay the loans issued under the guarantees programme. The Governance Statement sets out how the department manages the market and credit risk associated with its financial instruments.

Credit Risk

The department has provided guarantees to strongly rated (low risk) Private Registered Providers to facilitate access to borrowing at competitive interest rates. This funding is then used by the borrowers to build affordable housing. The department has also provided Private Rented Sector guarantees to private rented sector operators and Private Registered Providers to incentivise institutional investment into the supply of new, purpose built and professionally managed private rented sector homes. Guaranteed debt is generally available once units are completed and generate a stable income.

The potential liabilities arising from the provision of these guarantees will be subject to credit risk, particularly increases in rental arrears and void properties which may have an impact on a borrower's ability to repay a loan issued under the guarantees programme. The department has set up a number of risk mitigations to minimise the risk arising from the guarantees, including a rigorous eligibility criteria and credit assessment process.

For assets measured at amortised cost, including loans, Homes England has performed a sensitivity analysis that considers how expected credit losses would vary under alternative future economic scenarios. Refer to the Homes England Annual Report and Accounts for details of this analysis. The Expected Credit Loss model is highly sensitive to its modelling assumptions, which are therefore considered to be a key judgement of management.

Expected Credit Loss Allowances	2019-20	2018-19
		£'000
Implementation of IFRS 9	-	32,179
Revised opening balance	**51,655**	**32,179**
Net movements in Expected Credit Loss Allowances	20,749	19,476
Closing balance	**72,404**	**51,655**

Credit impairment loss charges to Net Expenditure in relation to assets held at Amortised Cost	2019-20	2018-19
		£'000
Net movements in Expected Credit Loss Allowances	20,749	19,476
Amounts written-off loan balances as irrecoverable	51,181	1,801
Total credit impairment loss charge	**71,930**	**21,277**

Affordable Housing Guarantees

As at 31st March 2020, the department had approved £3.2 billion worth of debt finance raised by Affordable Housing Finance on behalf of Private Registered Providers, all of which has been drawn down and is covered by a financial guarantee issued by the department. The accounting valuation for the guarantee as at 31 March 2020 is £27.7 million. This valuation takes account of the liquidity reserve, comprising one year's worth of interest held in account to cover a shortfall in income and protect bond coupon payments in the event of default.

A probability-weighted expected loss model is used as the basis of the accounting valuation of the guarantee. The model incorporates an estimated Probability of Default (PD) for each borrower, based on their credit rating.

Sensitivity analysis was conducted on the valuation by changing both the credit rating and the assumed Loss Given Default (LGD). The sensitivity testing adjusted the credit grade down by five Standard & Poor's (S&P) equivalent grades (considered to be conservative as the Registered Provider industry has a zero-default history) and increased the LGD around the central estimate. Although there might be some relationship between the PD and the LGD, the analysis and the underlying probability-weighted loss model treats the PD and LGD as two independent variables that are multiplied together in arriving at the financial guarantee liability. The result is a valuation range from £8.5 million (5% LGD, Low PD) to £193 million (25% LGD, High PD). When liquidity reserves are accounted for in the sensitivity analysis, the valuation ranges from £3.8m (5% LGD, Low PD) to £172 million (25% LGD, High PD).

Private Rented Sector Guarantees

As at 31 March 2020, the department had approved circa £1.8 billion worth of debt finance to be raised by PRS Finance plc. to finance long term loans to private sector operators and Private Registered Providers. Of the circa £1.8 billion, £1 billion has been drawn and is covered by the Private Rented Sector financial guarantees issued by the department. The valuation of the liability arising as a result is £67.1 million.

The accounting valuation is based on the appropriate elements of the lifetime fee that will be paid by the borrower in return for the guaranteed funds. Specifically, the cost of risk, administration costs and a fee to the department based on appropriate remuneration of capital.

Homes England credit risk

Homes England's maximum exposure to credit risk, without taking into account any security held, is the same as the carrying amount of financial assets recorded in their Annual Report and Accounts.

The nature and concentration of the credit risk arising from Homes England's most significant financial assets can be summarised as follows:

- Financial asset investments measured at fair value relate mainly to amounts receivable individually from the shared equity mortgage portfolio properties when sold, or amounts receivable from various private sector developers, resulting in a broad spread of credit risk for these assets. Amounts receivable from the owners of homes are secured by a second charge over their property.
- Four private sector developers accounted for £213 million (33%) of a total £653 million of development loans (2018-19: 32% of £682 million), and four private sector developers accounted for £425 million (40%) of a total £1,062 million of infrastructure loans (2018-19: 39% of £925 million).
- Ten private sector developers accounted for £390 million (60%) of the total of £653 million development loans (2018-19: 60% of £682 million) and ten private sector developers account for £694 million (65%) of the total of £1,062 million of infrastructure loans (2018-19: 67%). Of the total £1,767 million exposure on all loans, ten private sector developers account for £814 million (46%) of the balance (2018-19: 46% of £1,654 million).
- Loans to the largest single private sector developer account for 11% (£70 million) of £653 million total development loans (2018-19: 11%) and loans to the largest single private sector developer account for 14% (£148 million) of £1,062 million total infrastructure loans (2018-19: 12%).
- £27 million (52%) of £52 million other loans relate to a major public utility company (2018-19: 57% of £47 million).
- Receivables arise largely from disposals of land and property assets, generally to major developers and housebuilders in the private sector. These receivables are always secured by the right to retake possession of the disposed property in the event of a default by the buyer, and in appropriate cases are backed by financial guarantees. Ten counterparties account for 97% of Homes England's £130 million receivables balances due from disposal of land and property assets (2018-19: 77% of £152 million).
- Cash is generally held with the Government Banking Service, except where commercial reasons necessitate otherwise, for example when cash is held by solicitors around completion of property sales or purchases or by the mortgage administrator pending allocation to accounts.

There are no significant concentrations of credit risk in Homes England's other financial instruments.

Interest rate risk

The Departmental Group has no material interest rate risk on its financial assets.

Fair values

The estimated fair values of the financial instruments held by the department approximate to their book values at 31 March 2019 and 31 March 2020. The table shows how fair value of the department's financial assets and liabilities has been estimated.

For a reconciliation of the movements in the value of Level 1, 2 and 3 fair value financial instruments, as defined by IFRS 13, and detail on the sensitivities of the fair values, see Homes England Annual Report and Accounts.

Financial Instrument	Basis of fair value estimation
Current payables and receivables (Note 14 and 12) and Public Dividend Capital (Note 9)	Nominal value. The fair value is categorised as level 3 in the fair value hierarchy as defined by IFRS 13.
Non-current payables and receivables (Note 14 and 12)	Discounted cost (where materially different from nominal value). The fair value is categorised as level 3 in the fair value hierarchy as defined by IFRS 13.
Investments in the Coalfields Enterprise Fund and the Coalfields Growth Fund (Note 7)	The fair value of the funds are identified with reference to the fund manager revaluation. The fair value is categorised as level 3 in the fair value hierarchy as defined by IFRS 13.
Homes England's shareholding in the PRS REIT plc (Note 7)	The fair value of Homes England's shareholding in the PRS REIT plc is calculated with reference to prices quoted on the London Stock Exchange and is therefore categorised as level 1 in the fair value hierarchy as defined by IFRS 13.
Financial assets relating to housing units (Note 7)	The fair values of Homes England's equity-loan mortgage portfolio are calculated with reference to movements in the ONS house price index (UK HPI) at a regional level, being the most relevant available observable market data. This is supplemented by adjustments for experience of actual disposals since the inception of the schemes, also at a regional level. Therefore these fair values are categorised as level 2 in the fair value hierarchy as defined by IFRS 13.
Equity investments in private sector developments and infrastructure projects (Note 7)	The fair values of financial assets relating to equity investments in development and infrastructure projects are calculated using cashflow forecasts for the projects concerned, discounted at rates set by HM Treasury. These fair values are therefore categorised as level 3 in the fair value hierarchy as defined by IFRS 13.
Managed funds (Note 7)	The fair value of managed funds are equal to the net assets of those funds at the reporting date, and are therefore categorised as level 3 in the fair value hierarchy as defined by IFRS 13.
Other financial instruments	Discounted future cash flows using discount rates set by HM Treasury or the rate intrinsic to the financial instrument if higher.
Affordable Housing financial guarantees liabilities	For initial recognition, fair value is based on probability weighted expected losses. For subsequent recognition, at the higher of initial fair value and expected loss. The fair value is categorised as level 3 in the fair value hierarchy as defined by IFRS 13.
Private Rented Sector financial guarantees liabilities	For initial recognition, fair value is based on the fee charged for the guarantee. For subsequent recognition, at the higher of initial fair value and expected loss. The fair value is categorised as level 3 in the fair value hierarchy as defined by IFRS 13.

Note 18. Commitments under operating leases

Total future minimum lease payments under operating leases are given in the table below for each of the following periods.

£'000

	2019-20		2018-19	
Obligations under operating leases comprise:	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Buildings:				
Payment due within 1 year	14,506	15,524	24,453	25,334
Payment due after 1 year but not more than 5 years	55,123	56,702	69,773	70,851
Payment due thereafter	81,360	81,360	109,473	109,473
Total value of obligations	**150,989**	**153,586**	**203,699**	**205,658**
Other:				
Payment due within 1 year	-	9	-	-
Payment due after 1 year but not more than 5 years	-	14	-	-
Payment due thereafter	-	-	-	-
Total value of obligations	**-**	**23**	**-**	**-**

£'000

	2019-20		2018-19	
Receipts under operating sub-leases comprise:	Core Department & Agency	Departmental Group	Core Department & Agency	Departmental Group
Buildings:				
Receipts due within 1 year	-	-	16,612	16,612
Receipts due after 1 year but not more than 5 years	-	-	20,403	20,403
Receipts due thereafter	-	-	2,553	2,553
Total value of receivables	**-**	**-**	**39,568**	**39,568**

Note 19. Other Commitments

Homes England has made financial commitments in relation to programmes for investments in loan and equity assets, and grants which had become unconditional at the reporting date, but which had yet to be drawn down by that date. The value of these commitments was £3,724 million at 31 March 2020 (31 March 2019: £1,429 million). The increase includes significant additional Housing Infrastructure Fund and Home Building Fund approved in the year.

Homes England has entered into financial commitments in relation to affordable housing grant programmes totalling £1,783 million at 31 March 2020 (31 March 2019: £1,084 million).

Homes England has also given outline approval to investments under the Help to Buy scheme which, while still conditional, are likely to result in the drawdown of investments in the coming year. The value of these outstanding approvals at 31 March 2020 plus contractual commitments to third-party suppliers who administer individual transactions on behalf of Homes England was £1,153 million (31 March 2019: £978 million).

In addition to the above, Homes England has entered into financial commitments in relation to land development and building leases totalling £382 million and £10 million respectively at 31 March 2020 (31 March 2019: £396 million and £10 million).

Following a change in the methodology used for the recognition of commitments, prior year figures have been restated.

Note 20. Contingent liabilities disclosed under IAS 37

In accordance with government policy, properties included in non-current assets in the Statement of Financial Position are not insured. Other contingent liabilities are set out below.

£'000

		2019-20	2018-19
a	The Government Legal Department (GLD) manages litigation cases on behalf of the department. Litigation costs may be incurred following unsuccessful attempts to resist some of those challenges.	215	225
b	Claim for repair or repurchase of defective Right to Buy homes sold by local authorities between 1980 and 1985.	250 to 750	250 to 750
c	Potential liabilities to the EC arising from current European legislation	Unquantifiable	Unquantifiable
d	Potential losses arising from inability to recover ineligible expenditure arising as a result of the closure of ERDF 2007-2013 and 2014-20 programmes.	Unquantifiable	Unquantifiable
e	Commitment to fund potential shortfalls of land sale receipts of a Housing Association	Up to 4,000	Up to 4,000
f	Potential liabilities arising following the tragic events at Grenfell Tower in June 2017. At this time, the nature and value of the liabilities arising cannot be determined with sufficient reliability and consequently, are considered to be unquantifiable.	Unquantifiable	Unquantifiable
g	Homes England: The freeholds of several hundred properties on two estates in Washington were transferred to Sunderland City Council on 1 April 1997. The transfer was subject to a Homes England indemnity valid for a period of 30 years against costs which may be incurred in remedying shale related defects. This indemnity was issued with the approval of the department. The extent of the potential liability will only be known once any defects are identified. No claims have yet been notified under this indemnity.	Unquantifiable	Unquantifiable
h	Homes England: At 31 March 2020, the West Sussex Pension Scheme had 11 active members. When the last active member leaves the scheme, the obligation to pay an exit debt will be crystallised. The timing and value of any exit debt due in the future is not yet known.	Unquantifiable	Unquantifiable
i	Homes England: Homes England is potentially liable for miscellaneous claims by developers, contractors and individuals in respect of costs and claims not allowed for in development agreements, construction contracts, grants and claims such as Compulsory Purchase Orders. Payment, if any, against these claims may depend on lengthy and complex litigation and potential final settlements cannot be determined with any certainty at this time. As claims reach a more advanced stage they are considered in detail and specific provisions are made in respect of those liabilities to the extent that payment is considered probable.	Unquantifiable	Unquantifiable
j	Planning Inspectorate: Litigation costs may be incurred following unsuccessful attempts to resist a High Court challenge to an Inspector's decision. The timing and value of such awards are difficult to predict	88	110
k	Planning Inspectorate: Ex-gratia payments which may possibly be made to appellants or other appeal parties who have incurred abortive appeal costs following an error made by a member of the Inspectorate's staff.	5	467

Note 21. Contingent assets disclosed under IAS 37

			£'000
		2019-20	2018-19
a	Homes England has in certain instances disposed of land or made grant payments with certain conditions attached, which if no longer fulfilled will result in a payment to Homes England. Examples include where there is a subsequent change in use of land sold which materially increases the return to the purchaser, or if the conditions of a grant payment are no longer met. The normal term during which this arrangement remains in force is 21 years. For affordable housing and other community related schemes the term is more usually 35 years. By its nature this income is variable and the timing of receipt is uncertain, therefore it is not possible to quantify the likely income which may ultimately be received.	Unquantifiable	Unquantifiable

Note 22. Related party transactions

The department is the parent of a number of sponsored bodies listed in Note 24. These bodies are regarded as related parties with which the department had various material transactions during the year. In addition, the department has made a number of material transactions with other government departments, central government bodies and local government organisations.

Non-executive and executive Board members must declare to the Permanent Secretary any personal or business interest which may, or may be perceived to, influence their judgement as a board member.

As well as the disclosures in the Remuneration and Staff Report, the following relationships are also considered as related parties and have therefore been disclosed in line with IAS 24. Transactions are classified as related party transactions if they occurred during the period the board member named held office. Departmental Ministers make specific disclosure of financial interests as required by the Ministerial Code of Conduct.

Jeremy Pocklington CB is a trustee of Business in the Community. It is a charity dedicated to responsible business in creating a skilled, inclusive workforce today and for the future, and building thriving communities in which to live and work. The trustees' role is to determine the charity's mission and purpose, while guarding its ethos and values. The department paid a total of £12,680.88 to Business in the Community during 2019-20. This was related to secondee costs for their support work related to the communities framework.

During the year no Board member, key manager or other related parties, other than those mentioned above, have undertaken any material transactions with the department.

Note 23. Events after the reporting period

The department's financial statements are laid before the Houses of Commons by HM Treasury. In accordance with the requirements of IAS 10 'Events After the Reporting Period', post Statement of Financial Position events are considered up to the date on which the Accounts are authorised for issue. This is interpreted as the same date as the date of the Certificate and Report of the Comptroller and Auditor General.

Notification to leave the EU - Article 50

On 29 March 2017 the UK Government submitted its notification to leave the EU in accordance with Article 50. The triggering of Article 50 started a two-year negotiation process between the UK and the EU, during which the UK remains a full member of the EU with all the rights and obligations arising from membership. The negotiations are ongoing and as such have not given rise to any legal or constructive obligation for any components of the Accounts.

Ministerial Direction

On 26 May 2020, the Secretary of State gave a further ministerial direction to remove financial barriers to increase the pace of remediation of unsafe non-ACM cladding on high rise residential buildings that are 18 metres and over. Refer to Page 41 of the Annual Governance Statement.

COVID-19 Pandemic

The government has implemented measures to support the economy, business, individuals, and vital public services through the COVID-19 Pandemic, which is ongoing at the time of reporting. The main measures implemented by MHCLG are set out on page 7 of the Performance Report.

Note 24. Entities within the Departmental Boundary

The department has one executive agency and 12 designated bodies. All bodies apart from the Queen Elizabeth II Conference Centre, Ebbsfleet Development Corporation and the Architects Registration Board are consolidated into the departmental accounts.

In 2019-20, Ebbsfleet Development Corporation was reclassified from central government to the local government sector for national accounts purposes. As a result HM Treasury have removed them from the departmental group through the 2019-20 Designation Order. and they are therefore no longer consolidated or incorporated in these accounts. In 2018-19 they were included.

The UK Holocaust Memorial Ltd was incorporated on 12 July 2019 and has remained dormant during the year.

Executive Agencies		
Planning Inspectorate		
Advisory Bodies		
Building Regulations Advisory Committee		
Tribunals		
Valuation Tribunal for England		
Executive Non Departmental Public Bodies (NDPBs)		
Homes England (trading name of the Homes and Communities Agency)		
The Housing Ombudsman	Valuation Tribunal Service	Regulator of Social Housing
Ebbsfleet Development Corporation	The Leasehold Advisory Service	UK Holocaust Memorial Ltd
Other Bodies Not Classed as NDPBs		
Commission for Local Administration in England		
Trading Funds		
Queen Elizabeth II Conference Centre		
Public Corporations		
Architects Registration Board		

Subsidiaries of designated bodies are disclosed in the relevant entity's accounts.

Business Rates Retention and Non-Domestic Rates Trust Statement

Foreword

Introduction

A Trust Statement provides an account of the collection of revenues which by statute or convention are due to HM Treasury's Consolidated Fund where the entity undertaking the collection acts as agent rather than principal. Trust Statements are required to be prepared under section 2(3) of the Exchequer and Audit Departments Act 1921.

The department acts as an agent responsible for collecting Business Rate income under the Business Rate Retention system from local authorities, central list businesses and the Ministry of Defence.

The Business Rates Retention and Non-Domestic Rates Trust Statement is prepared in accordance with the accounts direction issued by HM Treasury under section 7(2) of the Government Resources and Accounts Act 2000.

Scope

The department operates the system of Business Rates Retention which came into force on 1 April 2013 and replaced the previous collection and redistribution National Non-Domestic Rating system. Under the retention system, local authorities retain at least 50% of the rates collectable as their 'local share'. The Trust Statement reports the remaining portion of the rates collectable retained by central government. This includes the Central Share. Separate to this, Central List and Visiting Forces income is accounted for alongside Business Rates Retention but these National Non Domestic Rates otherwise operate in the same way as before the introduction of Business Rate Retention. Central List income relates to hereditaments that go beyond one local authority area, such as gas, electricity, railways and communication networks. Visiting Forces Income relates to rates paid by the Ministry of Defence in respect of properties occupied by Visiting Forces, these typically include Royal Air Force bases.

The results presented in this Trust Statement are separate to those presented in the department's Resource Accounts although they flow through the department's accounting system.

Auditors

The Trust Statement is audited by the Comptroller and Auditor General under Section 7 of the Government Resources and Accounts Act 2000. The audit opinion is on page 145. The auditor's notional fee of £20,000 (2018-19: £19,000) is included in the department's Resource Accounts. There were no fees in respect of non-audit work.

Statement of the Accounting Officer's Responsibilities in Respect of the Trust Statement

Under section 7 of the Government Resources and Accounts Act 2000, HM Treasury has directed the Ministry of Housing, Communities and Local Government to prepare for each financial year a Trust Statement in the form and on the basis set out in the Accounts Direction.

HM Treasury appointed me, Jeremy Pocklington CB, the Permanent Head of the Department, as the Accounting Officer for the Business Rates Retention and Non-Domestic Rates Trust Statement.

The majority of this report relates to a period when I was not the Accounting Officer. My predecessor, Dame Melanie Dawes DCB left at the end of February 2020. Prior to being appointed Permanent Secretary, I was the Director General for Housing and Building Safety for MHCLG. I was a member of the Executive Team throughout the reporting year. In addition, in the period between my appointment and Dame Melanie Dawe DCB's departure, I met with her and with the Head of Internal Audit and received appropriate assurances that the system of internal controls was sound and effective prior to my appointment as Accounting Officer. Therefore, I consider that I have sufficient knowledge and have had sufficient involvement to take responsibility for this statement.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and for safeguarding the department's assets, are set out in Managing Public Money published by the Treasury.

The Trust Statement is prepared on an accruals basis and must give a true and fair view of the state of affairs of Business Rates collected by the department, together with the net amounts surrendered to the Consolidated Fund.

In preparing the Trust Statement, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual (FReM) prepared by the Treasury and, in particular, to:

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the FReM, have been followed, and disclose and explain any material departures in the account;
- prepare the Trust Statement on a going concern basis; and
- confirm that the Trust Statement as a whole is fair, balanced and understandable and take personal responsibility for the Trust Statement and the judgements required for determining that it is fair, balanced and understandable.

As the Accounting Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the department's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

Governance Statement in respect of the Trust Statement

The department's Governance Statement, covering both the Resource Accounts and the Trust Statement, starts on page 39.

Jeremy Pocklington CB **29 October 2020**
Accounting Officer
Ministry of Housing, Communities and Local Government

The Certificate and Report of the Comptroller and Auditor General to the House Of Commons

Opinion on financial statements

I certify that I have audited the financial statements of Business Rates Retention and Non-Domestic Rates Trust Statement for the year ended 31 March 2020 under the Government Resources and Accounts Act 2000. The financial statements comprise the Statement of Revenue, Other Income and Expenditure, the Statement of Financial Position, the Statement of Cash Flows and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them.

In my opinion:

- the Business Rates Retention and Non-Domestic Rates Trust Statement gives a true and fair view of the state of affairs relating to the collection and allocation of Business Rates, as at 31 March 2020 and of the net revenue for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Ministry of Housing, Communities and Local Government in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the Ministry of Housing, Communities and Local Government's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Ministry of Housing, Communities and Local have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Ministry of Housing, Communities and Local's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Responsibilities of the Accounting Officer for the audit of the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MHCLG's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Conclude on the appropriateness of the Ministry of Housing, Communities and Local Government's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Ministry of Housing, Communities and Local Government's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause Ministry of Housing, Communities and Local Government to cease to continue as a going concern.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Other Information

The Accounting Officer is responsible for the other information. The other information comprises information included in the foreword, Statement of Accounting Officer's Responsibilities, governance statement and the annual report of the MHCLG Resource Accounts, other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the information given in the foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Gareth Davies
Comptroller and Auditor General

Date: 2 November 2020

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Statement of Revenue, Other Income and Expenditure

For the period ended 31 March 2020

£'000

	Note	2019-20	2018-19
Income			
Licence Fees and Taxes			
National Non Domestic Rates		1,779,233	1,701,057
Business Rates Retention		27,325,620	29,294,525
Local Share			
Deduction of Local Share		(17,812,372)	(20,118,760)
Total Revenue after deduction of Local share	3	11,292,481	10,876,822
Net Revenue for the Consolidated Fund Account		**11,292,481**	**10,876,822**

There were no recognised gains or losses accounted for outside the above Statement of Revenue, Other Income and Expenditure.

The notes at pages 151 to 152 form part of this Statement.

Statement of Financial Position

as at 31 March 2020

£'000

	Note	2019-20	2018-19
Current Assets			
Accrued Revenue Receivable		88,493	96,221
Cash and Cash Equivalents	CfS	14,474	2
Total Current assets		**102,967**	**96,223**
Current Liabilities			
Accrued Revenue Payable		14,474	2
Total Current Liabilities		**14,474**	**2**
Total assets less current liabilities		**88,493**	**96,221**
Represented by:			
Balance on Consolidated Fund Account	2	**88,493**	**96,221**

Jeremy Pocklington CB
Accounting Officer
Ministry of Housing, Communities and Local Government

29 October 2020

The notes at pages 151 to 152 form part of this Statement.

Statement of Cash Flows

for the period ended 31 March 2020

£'000

	Note	2019-20	2018-19
Cash flows from operating activities		11,314,681	11,042,772
Cash paid to the Consolidated Fund		(11,300,209)	(11,042,770)
Increase/(decrease) in cash in this period		**14,472**	**2**
A: Reconciliation of Net Cash Flow to Movement in Net Funds			
Net Revenue for the Consolidated Fund	3	11,292,481	10,876,822
(Increase)/Decrease in receivables		7,728	165,948
Increase/(Decrease) in payables		14,472	2
Net Cash Flow from Operating Activities		**11,314,681**	**11,042,772**
B: Analysis of Changes in Net Funds			
Increase/(decrease) in Cash in this Period		14,472	2
Net funds at 1 April		2	-
Net Funds as 31 March		**14,474**	**2**

The notes at pages 151 to 152 form part of this Statement.

Notes to the Trust Statement

Trust Statement Note 1 Statement of Accounting Policies

Basis of accounting

The Trust Statement is prepared in accordance with:

- the Accounts Direction issued by HM Treasury on 9 February 2015 under section 7(2) of the Government Resources and Accounts Act 2000
- the 2019-20 Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as interpreted for the public sector.

The Trust Statement has been prepared on an accruals basis and in accordance with the historical cost convention.

This Trust Statement reports the income collectable under the Business Rates Retention system as also reported in the Main Non-Domestic Rating Account and the Levy Account.

Revenue recognition

Revenue is collected from local authorities, central list companies and the Ministry of Defence.

Business Rates income represents the tariff retention by the department and is accounted in accordance with IFRS15. As there are no performance obligations revenue is recognised when the revenue is wholly non-refundable, can be measured reliably, and it is probable that the associated economic benefits from the taxable event will flow to the collecting entity. All these elements must be satisfied. Revenue is determined via NNDR1 claim forms submitted by local authorities. The amounts recognised also include final adjustments to prior years' figures where eligibility has been confirmed by inclusion of audited figures in local authority NNDR3.

Local share

Under Business Rates Retention, local authorities retain a percentage of the Business Rates collectable as their local share. Following the Office of National Statistics classification of the entire system as a central government tax, the local share is included in this Trust Statement as income collectable in respect of the tax and is then deducted as an allowable expense to calculate the amount due to the Consolidated Fund.

The cost of collection borne by local authorities included within the local share is £84 million (£84 million in 2018-19).

Trust Statement Note 2 Balance on the Consolidated Fund

£'000

Consolidated Fund	2019-20	2018-19
Balance on Consolidated Fund Account as at 1 April	96,221	262,169
Net Revenue of the Consolidated Fund	11,292,481	10,876,822
Less amount paid to the Consolidated Fund	-11,300,209	-11,042,770
Balance on Consolidated Fund Account as at 31 March	**88,493**	**96,221**

Trust Statement Note 3 Revenue collected on behalf of the Consolidated Fund

£'000

Revenue	2019-20	2018-19
Central list and others: NNDR revenue collectable on behalf of the Consolidated Fund	1,779,233	1,701,057
Local authorities: BRR revenue collected on behalf of the Consolidated Fund	9,513,248	9,175,765
Balance on Consolidated Fund Account as at 31 March	**11,292,481**	**10,876,822**

Trust Statement Note 4 Cash at Bank

The cash and cash equivalents and net funds disclosed in the Statement of Cash Flows are held with the Government Banking Service.

Trust Statement Note 5 Events after the reporting period

The department's financial statements which includes this Trust Statement are laid before the Houses of Commons by HM Treasury. In accordance with the requirements of IAS 10 'Events After the Reporting Period', post Statement of Financial Position events are considered up to the date on which the Accounts are authorised for issue. This is interpreted as the same date as the date of the Certificate and Report of the Comptroller and Auditor General.

A number of business rate measures have been introduced in 2020-21 to help support local authorities and businesses. For MHCLG this has included a 3 month deferral of Central Share payments to government and business rate reliefs worth £9.7 billion in 2020-21. These measures did not impact on the Main Rating Account for 2019-20. Similarly, the expectation is that there will be no impact on the Trust Statement for 2020-21.

Accounts Direction Given by HM Treasury

This direction applies to the Ministry of Housing, Communities and Local Government for the reporting of the Business Rates Retention and Non-Domestic Rates.

The department shall prepare a Trust Statement ("the Statement") for the financial year ended 31 March 2015 and subsequent financial years for the revenue and other income, as directed by HM Treasury, collected by the department as an agent for others, in compliance with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual by HM Treasury ("FReM") which is in force for that financial year.

The Statement shall be prepared, as prescribed in appendix 1, so as to give a true and fair view of (a) the state of affairs relating to the collection and allocation of Business Rates; (b) the revenue and expenditure; and (c) the cash flows for the year then ended.

The department shall report the total amount of Business Rates revenue, comprising the central and local share, including those elements that are recorded separately. These include levy income receivable from local authorities and other income following reconciliation adjustments. The department shall show the local share as an allowable deduction from the total amount of Business Rates revenue recognised and correspondingly reduce revenues payable to the consolidated fund by the amounts retained by local government in the form of the local share.

The Statement shall also be prepared so as to provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.

When preparing the Statement, the department shall comply with the guidance given in the FReM. The department shall also agree with HM Treasury the format of the Principal Accounting Officer's Foreword to the Statement, and the supporting notes, and the accounting policies to be adopted, particularly in relation to revenue recognition. Regard shall also be given to all relevant accounting and disclosure requirements in Managing Public Money and other guidance issued by HM Treasury, and to the principles underlying International Financial Reporting Standards.

Compliance with the requirements of the FReM will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the FReM is inconsistent with the requirement to give a true and fair view, the requirements of the FReM should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment which should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the FReM. Any material departure from the FReM should be discussed in the first instance with HM Treasury.

The Statement shall be transmitted to the Comptroller and Auditor General for the purpose of his examination and report by a date agreed with the Comptroller and Auditor General and HM Treasury to enable compliance with the administrative deadline for laying the audited accounts before Parliament before the Summer Recess.

The Trust Statement, together with this direction (but with the exception of the related appendices) and the Report produced by the Comptroller and Auditor General under section 7(2) of the Government Resources and Accounts Act 2000 shall be laid before Parliament at the same time as the department's Resource Accounts for the year unless HM Treasury have agreed that the Trust Statement may be laid at a later date.

This Accounts Direction supersedes any previously issued Accounts Directions in respect of Business Rates Retention.

Ross Campbell
Deputy Director, Government Financial Reporting
Her Majesty's Treasury
9 February 2015

Annex A: Section 70 Grant Payments to Charities

Section 70 of the Charities Act 2006 (the Act) sets out the powers for ministers to give financial assistance to charitable, benevolent or philanthropic institutions and requires that payments made under this power are reported.

Institution	Payments (£'000)	Purpose
Build integrated communities		
Aldridge Education – National Innovation Fund	116	To fund a project that stimulates and tests an innovative approach to integration, which will generate important learning on how to bridge divides and bring communities together.
Anne Frank Trust UK Ltd – Anne Frank Trust/Hate Crime Action Plan Refresh	83	To use Anne Frank's life and diary to empower young people with the knowledge, skills and confidence to challenge all forms of prejudice and discrimination.
Antisemitism Policy Trust – Antisem.Faith, Anti-Muslim Hatred Advisers / Antisemitism Policy Trust (Online) / Hate Crime Action Plan Refresh	270	To examine the intersectionality of sexism and antisemitism, and for campaign to combat antisemitic tropes.
Ashley Community & Housing Ltd – National Innovation Fund	144	To fund a project that stimulates and tests an innovative approach to integration, which will generate important learning on how to bridge divides and bring communities together.
Behavioural Insights Ltd – National Innovation Fund	852	To fund a project that stimulates and tests an innovative approach to integration, which will generate important learning on how to bridge divides and bring communities together.
Big Ideas Comm Interest Comp – UKHMF Content Director	99	UK Holocaust Memorial community engagement, launch of South Africa Heritage day (Mandela 100) and commemorating the unremembered of the First World War.
BIRMINGHAM UNIVERSITY – Training For Ministers Of Religion	194	To deliver the Faith Leader Training Initiative for Ministers.
Church Urban Fund – CG-Near Neighbours Initiative/Windrush	1,760	To bring people together in communities that are religiously and ethnically diverse, so that they can get to know each other better, build relationships of trust and collaborate together on initiatives that improve the local community they live in, building well connected inter-faith communities with resilient structures for times of need.
Civic Voice- Planning Delivery Fund	55	To establish a joint initiative with higher education establishments to pay planning bursaries to students in order to bring new trained planners into the planning profession.
Clarets In The Community Ltd – National Innovation Fund	126	To fund a project that stimulates and tests an innovative approach to integration, which will generate important learning on how to bridge divides and bring communities together.
Cohesion & Integration Network (COIN) – Integration And Cohesion Network	50	Core funding to support the development and launch of the Cohesion and Integration Network (CoIN).
CXK Ltd – National Innovation Fund	184	To fund a project that stimulates and tests an innovative approach to integration, which will generate important learning on how to bridge divides and bring communities together.
Faith Action – Community Based English Language	983	To deliver Community-Based English Language training to adults with the lowest levels of English to increase integration.
Faith Matters – Tell Mama	841	To encourage people to report instances of anti-Muslim hatred via Tell MAMA and carry out community engagement to educate people about anti-Muslim hatred and improve the recognition and reach of Tell MAMA in communities.
Fayre Share Foundation – Strengthening Faith Institutions	800	To strengthen and support places of worship of all faiths in order to improve governance, increase their capacity to engage with women and young people, challenge intolerance and develop resilience to extremism.
FODIP (Forum for Discussion of Israel & Palestine) – Hate Crime Action Plan Refresh	62	To engage in constructive dialogue on the Israel-Palestine conflict with the aim to increase understanding of other perspectives through workshops, training and community events.

Institution	Payments (£'000)	Purpose
Friends Families & Travellers – Gypsy Roma Travellers Strategy	65	Improving health outcomes for Gypsy, Roma and Travelling communities.
Gate Herts – Hate Crime Action Plan Refresh	77	Increase hate crime reporting for Gypsy, Roma and Travelling communities.
Granby Toxteth Development Trust – Gypsy Roma Travellers Strategy	30	Improving educational outcomes for Gypsy, Roma and Travelling communities.
Groundwork London – National Innovation Fund	374	To fund a project that stimulates and tests an innovative approach to integration, which will generate important learning on how to bridge divides and bring communities together.
Holocaust Educational Trust – UKHMF Content Director	49	Developing the content of the UK Holocaust Memorial and Learning Centre and promoting Holocaust Memorial Day across the UK.
Holocaust Memorial Day Trust – Holocaust Memorial Day/UKHMF Content Director	1,063	Developing the content of the UK Holocaust Memorial and Learning Centre and promoting Holocaust Memorial Day across the UK.
Hope Not Hate Charitable Trust – Hate Crime Action Plan Refresh	50	To provide Government with perspective from Muslim communities, academics and experts on anti-Muslim hatred which informs our policy work.
Inter Faith Network For The UK – Interfaith Network	385	To promote understanding and cooperation between organisations and people of different faiths across the country.
Kick It Out – Hate Crime Action Plan Refresh	35	To develop a bespoke strand of their existing Switch Off Prejudice programme to children and young people in Croydon, who are deemed especially vulnerable to the dangers of discrimination and prejudice.
Kingston Race & Equalities Council – Hate Crime Action Plan Refresh	24	To educate about and support victims of racially motivated hatred.
Learn English At Home – National Innovation Fund	120	To fund a project that stimulates and tests an innovative approach to integration, which will generate important learning on how to bridge divides and bring communities together.
Luton Tigers Ltd – National Innovation Fund	74	To fund a project that stimulates and tests an innovative approach to integration, which will generate important learning on how to bridge divides and bring communities together.
Maccabi GB – Hate Crime Action Plan Refresh	10	Educate young people on the dangers of anti-Muslim hatred and antisemitism.
Mary Ward Settlement – National Innovation Fund	66	To fund a project that stimulates and tests an innovative approach to integration, which will generate important learning on how to bridge divides and bring communities together.
National Literacy Trust – National Innovation Fund	115	To fund a project that stimulates and tests an innovative approach to integration, which will generate important learning on how to bridge divides and bring communities together.
National Trust – Future Parks Accelerator	35	Initial set-up funding to support local authorities to transform their parks estates using innovative and new models of parks management and funding.
One Voice Europe – Hate Crime Action Plan Refresh	50	To ensure that young people are more aware of the nuances behind the conflict in Israel and Palestine and will help build understanding between communities
ONE20 – Community Based English Language	629	To deliver Community-Based English Language training to adults with the lowest levels of English to increase integration.
Parks Alliance – Parks Action Group	6	To support the appointment of a coordinator to deliver key actions to inform the response to the Select Committee Inquiry on Public Parks.
Power To Change Trust – Pub in the Hub	650	To support pubs to expand their services and facilities into a range of new ones that are community focussed.
Red Zebra Community Solutions – National Innovation Fund	105	To fund a project that stimulates and tests an innovative approach to integration, which will generate important learning on how to bridge divides and bring communities together.
ROM Campaign Ltd – Register Our Marriage	100	To support awareness raising campaigns to educate and inform couples and their children of the benefits of having a civilly registered marriage.
Schools Linking – Integration Strat First Wave Area Program	175	To develop and facilitate effective links between schools of different demographic backgrounds, creating sustained social mixing and supporting them to develop a positive, cohesive ethos.
Show Racism The Red Card – Hate Crime Action Plan Refresh	77	To organise and deliver high-profile hate crime awareness and education events in partnership with football clubs.

Institution	Payments (£'000)	Purpose
Stop Hate UK – Hate Crime Action Plan Refresh	50	To address online hate through developed counternarratives and engaging in activity aimed at challenging and reporting hate crime/ hate speech online, as well as supporting targeted individuals and sign posting them to reporting bodies.
Super Being Labs Ltd – National Innovation Fund	64	To fund a project that stimulates and tests an innovative approach to integration, which will generate important learning on how to bridge divides and bring communities together.
The Challenge Network – National Innovation Fund	269	To fund a project that stimulates and tests an innovative approach to integration, which will generate important learning on how to bridge divides and bring communities together.
The Linking Network – Integration Strat First Wave Area Program/Schools Linking	616	To develop and facilitate effective links between schools of different demographic backgrounds, creating sustained social mixing and supporting them to develop a positive, cohesive ethos.
Umma Help – Remembering Srebrenica	400	To commemorate what happened in the town of Srebrenica during the Yugoslavian civil war whilst raising awareness aimed at countering discrimination and building stronger community relations here in the UK.
WEA – Workers' Education Association – Community Based English Language	818	To deliver Community-Based English Language training to adults with the lowest levels of English to increase integration.
Fix the broken housing market		
Design Council – Building Safety Programme Technical Policy	3	To support institutions with their accreditation criteria for education programmes (Architecture and Engineering) and promote implementation of the Teaching and Learning Guide.
Meanwhile Foundation – High Street Renewal Awards	169	To create socio-economic value from vacant property.
National Community Land Trust (CLT) Network – Community Housing Fund	4,000	An increase in the scale and capacity of the national network of professional local advisors ("enablers") to support community groups through the housebuilding project planning and development stages.
Princes Foundation – Planning Delivery Fund	63	To establish a joint initiative with higher education establishments to pay planning bursaries to students in order to bring new trained planners into planning profession.
Royal Town Planning Institute – Planning Delivery Fund/ Royal Town Planning Institute (RTPI) Research Funding	162	To establish a joint initiative with higher education establishments to pay planning bursaries to students in order to bring new trained planners into planning profession.
University Of Oxford – Housing Supply Challenges	25	To support the University of Oxford Said Business School's research into the availability of finance for new housing supply.
Urban Design London – Planning Delivery Fund	61	To establish a joint initiative with higher education establishments to pay planning bursaries to students in order to bring new trained planners into planning profession.
Grow local economies		
Pub Is The Hub – Pub in the Hub	500	To support pubs to expand their services and facilities into a range of new ones that are community focussed.
TOTAL	**18,181**	

Annex B: European Regional Development Fund

European Regional Development Fund (ERDF).

The information in the following paragraphs gives additional information about entries included in the financial statements and notes regarding the ERDF.

The ERDF was set up in 1975 to stimulate economic development in the least prosperous regions of the European Union (EU). The department acts as Managing Authority (the organisation responsible for the efficient management and implementation of the programme) for the 2000-2006, 2007-2013 and 2014-2020 programmes. In London, the ERDF continues to be delivered by an intermediate body, the Greater London Authority (GLA). A more limited range of Managing Authority functions has been delegated to devolved intermediate bodies either as part of the delivery of the mainstream ERDF programme or Sustainable Urban Development element.

Where project expenditure is not in accordance with ERDF regulations it becomes ineligible for ERDF grant funding. The department seeks to recover such ineligible expenditure from grant recipients in the first instance. Where recovery is not possible or feasible, the liability ultimately falls to the department to manage and, where appropriate, write off.

ERDF income is recognised once the relevant claim has been certified by the department's ERDF Certifying Authority team. Payments to projects that were made by the department have been treated as current asset inventories on the Statement of Financial Position (31 March 2020: £178 million, 31 March 2019: £63 million) and only transferred to expenditure on certification.

All projects have an associated intervention rate. This is the percentage of project expenditure which can be funded by the ERDF. Projects can be offered an ERDF grant at differing intervention rates but claims made to the European Commission (EC) are based on a combination of the priority axis (the policy theme) and the GDP-based category of the region's intervention rate. Differences therefore arise between the amounts claimed from the EC and that paid out to projects. The differences between these amounts are posted to the Statement of Financial Position either as current asset inventories (31 March 2020: £0, March 2019: £0) or as deferred income within current payables (31 March 2020: £233 million, 31 March 2019: £189 million).

European Regional Development Fund 2014-2020

The department agreed the 2014-20 ERDF Programme in 2015-16 and the first payments were made in June 2016. The department has been provided with an initial advance which is held as a payable until utilised (31 March 2020: £92 million, 31 March 2019: £92 million). In the 2014-20 Programme, there is an advance for the whole programme plus annual advances paid each year, for use on an annual basis.

This year the EC has proposed to mobilise its cash reserves for member states to address the consequences of the COVID-19 crisis. Unspent pre-financing would normally be offset between the pre-financing owed for the next year and the 10% held back throughout the year which would be payable to the Department, however the EC have delayed the recoupment of pre-financing normally occurring at the end of the EC accounting year (February 2020). No new funds are being made available for addressing the consequences of COVID-19. This is designed to improve 2020 programme liquidity and support programme financing within existing funding ceilings. Non recovered amounts in 2020 will be cleared at programme closure (31 March 2020: £76 million, 31 March 2019: £84 million).

The Audit Authority function (the designated body that audits the ERDF), which is delivered by the Government Internal Audit Agency, tested the validity of 55 claims, equating to €307 million out of total declared expenditure of

€1,063 million. This statistically representative sample revealed 85% of claims contained less than 2% of error (2% is the EC's materiality threshold). Most claims (58%) contained zero error. Where errors were identified, they had limited financial impact although significant compliance errors were reported in relation to public procurement and state aid infringements. A "residual total error rate" for the EC's 2018-19 accounting period was confirmed at 1.963%, below the EC's 2% materiality threshold. In their February 2020 annual report to the EC, the Audit Authority provided an unqualified opinion, specifically that:

- the ERDF accounts submitted to the EC by the department for the EC accounting period 2018-19 give a true and fair view, as established by Article 29(5) of Regulation (EU) No 480/2014;
- the expenditure in these accounts for which reimbursement has been requested from the Commission is legal and regular; and
- the ERDF management and control system put in place by MHCLG functions properly.

The Audit Authority has recently updated its audit strategy and risk assessment for the ERDF programme; the above findings have been taken into account.

European Regional Development Fund 2007-13 programme

The department submitted formal closure documents for all ten programmes to the EC by 31 March 2017. The Commission has approved the Managing Authority's Final Implementation Reports (FIRs), the Audit Authority's Final Control Report (FCR) and Closure Declaration, and the Certifying Authority's claim for the final balance, for nine of the ten programmes. Five percent of each programme value is held on retention by the EC. Final closure settlement for nine programmes of £115 million due has been received by the department. We should receive the remaining €113,091.64 (for the SW Convergence programme) pending the outcome of ongoing OLAF (European Anti-Fraud Office) investigations. The EC issues a closure letter for each programme which fixes the date from which the three-year document retention period runs. We may still be subject to audit during this period, should the EC elect to complete a review. We had expected the SW Convergence programme to receive its final closure letter and be closed down within six months following the 2018-19 annual report and accounts. However given the impact of COVID-19, we think this may now slip to six months following this 2019-20 annual report and accounts.

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